

CANADIAN  
**Taxpayers**  
FEDERATION

*Fighting for taxpayers*

# THE TAXPAYER

May/June '04

# The Teddies

Kissing your tax dollars good bye

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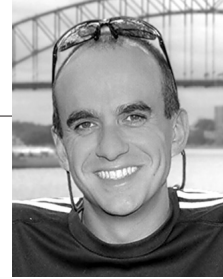
- CTF's 6th Annual Teddy Waste Awards
- Auditor General's Report
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Photo by Bruce Winchester



## From the editor

Troy Lanigan is the CTF's  
National Communications Director  
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# What becomes of sponsorship

The sponsorship scandal has prompted two oft repeated suggestions: launch a class action lawsuit and place taxes into a "trust" until someone is held accountable. Unfortunately, neither will work.

For starters, the Charter of Rights and Freedoms does not guarantee property rights. This may preclude taxpayers from suing governments over squandered tax dollars. A court's response to a class action filed on behalf of taxpayers would likely be "elect different or better representatives." Moreover, the court would probably suspend any proceedings given that there is a – so called – investigation underway.

So, taxpayers would be forced to sue individuals and face two nearly impossible tasks in doing so: gain standing as a 'class of persons' and muster the necessary evidence to prove civil wrongdoing -- the Byzantine trail of invoices, memos, etc., in Ottawa would take forever to unravel.

Then there's the issue of cost. Class action lawsuits have to be

launched on a province-by-province basis. Every province has its own laws, and some don't even have class action legislation. You're up against opponents who have unlimited legal resources. And, even if Chrétien, Gagliano and others were successfully sued, the amount you'd recover would be far too low to be meaningful. More likely, however, Chrétien, Gagliano and company would win and successfully recover their legal fees from those who launched the suit.

**“What is our government doing spending hundreds of millions of our dollars on sponsorships and advertising in the first place?”**

As for temporarily placing taxes into a trust fund, the Income Tax Act – and other laws – require taxes to be paid to the government directly and immediately. It does not depend on how well – or how poorly – our money is spent. Failure to pay will ultimately result in the government garnishing your wages, freezing your bank account, putting a lien on your house, and seizing your property.

Unfortunately, the only accountability taxpayers can expect is cancellation of this program, the knowledge that waste is being exposed and the satisfaction

that the government is forced to concede its arrogance and contempt for taxpayer dollars. Yes, there can be more checks and balances. Yes, whistleblower legislation is an important step. And yes, we do get to vote every so often. However, the larger issue here is the size and scope of government. What is our government doing spending hundreds of millions of our dollars on sponsorships and advertising in the first place? These dollars shouldn't be spent more responsibly; they shouldn't be spent at all. ■

In December of last year, the CTF lost one of its own to a tragic automobile accident. Wilfrid Kettle had served as a field service representative in Alberta since 1996. Many of you will remember Wilf for his passionate commitment to holding governments accountable. He lived his life with a personal commitment to his family, community and church. Wilf will be remembered for his quiet gentle manner, and his caring, giving nature. His presence will be greatly missed.



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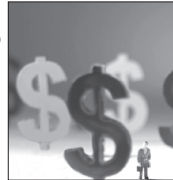
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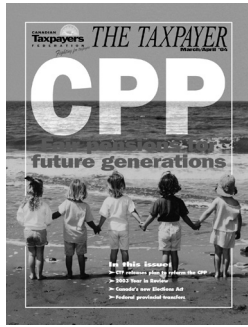
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# Letters-to-the-editor



I would gladly forfeit any claim to CPP benefits when I reach 65 if the government would agree to no longer tax me for this questionable benefit. I decided at age 30 that I could not count on the government for my security in retirement and have spent the last 20 years working to ensure that, no matter what nonsense they pull off, I will be able to look after myself. Some might suggest that this sounds selfish when in fact I think it is rather selfless. Instead of spending like a drunken sailor now, I am living reasonably while looking after my retirement. This means that my family and I will not be a burden on society and there will be more cash to go around to those

## Letters-to-the-editor

Letters may be edited for length, content and clarity.

Send your letters to:

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e-mail:  
tlanigan@taxpayer.com

who are not so fortunate.

Paul Riopel  
Edmonton, AB

I strongly disagree with your proposal to raise CPP eligibility to age 69.

Your proposal presents figures indicating inequities for contributors. However, the CPP fund has been squandered for many years, resulting in the current deficit of funds for retiring workers. Let's focus on government waste, accountability and proper management of our tax dollars instead of removing potential benefits for workers who have contributed to CPP in good faith for decades.

I believe Canadians feel some sense of social responsibility for senior citizens and those less fortunate, rather than the ultra-conservative USA entrepreneurial attitude of everyone for himself.

Tom Bridges  
Spruce Grove, AB

The "Time For Fair Pensions" was really back in 1966. The CPP plan then and now is nothing more than a pyramid scheme. The Pearson/Trudeau era was really the start of never never financing. The magazine article highlights the real rip-off for our children: a 2% return is obscene (inverted funds double every 36 years – almost a working life) – a more reasonable

10 – 12% return means investments double every 6 or 7 years. Canada should not be proud of this legacy for our young people who are starting families, establishing a home, paying for an education, and last but not least, investing for a REAL pension.

Ed Ringrose  
Kelowna, BC

## BSE crisis

Contrary to what Lorne Gunter suggested in his article on BSE, there is absolutely no chance of a calf getting BSE from its infected mother's blood. Having spent a lifetime working in the beef and dairy industries, I have never seen, or even heard of, such a thing taking place.

Les Hilman,  
Sylvan Lake, AB

I want to thank the CTF for the article on BSE in *The Taxpayer*. We own cattle and are affected with all this crap. This article is a big plus for us in the cattle industry because the CTF is a neutral group telling the urban public the facts about the odds of being infected by this. We need all the help and support we can get.

Geoff Ringrose  
Beechy, SK

## Keep up the good work

After viewing your web site and your organization's work, I am impressed.



# Letters-to-the-editor

I find it hard to believe the amount that is spent by government, only to be wasted on useless programs and laws.

I will not be able to donate money but will volunteer by distributing information, petitions and other items that show Canadians the truth about our governments' tax and spend ways.

Dustin Clark  
Moose Jaw, SK

My sincere thanks to you and your staff for all you do. If I ever win the lottery some big bucks will be coming your way.

Muriel R.  
Toronto, ON

I have long been a fan of the CTF. As a taxpayer, I have always appreciated the focused and effective manner in which the CTF has kept my core interests at heart. Like many Canadians, I am sick of working until early July every year, just to fund governments that do not spend my money wisely.

Brian Greaves  
Dundas, ON

Just renewed my support. It is about the best value for the current dollar that I can think of. The last two *Taxpayer* magazines were excellent. This is not unusual for the CTF. Keep up the good work.

Roman M. Laychuk  
Edmonton, AB

I think it's great that *The Taxpayer* can tell us about

all the scams and waste of money going on in the country. Every MP and MLA across the country should receive it.

Les Allison  
Holland, MB

*Editor: you'll be happy to know that we send it to them.*

## Not much 'skill' here

Well, 2003 has gone and so has Mr. Chretien. Now comes a new man with a far 'different approach'. However, one of his first acts is to increase the salaries of appointed advisors and parliamentary aides. Ends up the appointed ones come away with more pay than elected ones. Mr. Martin says the federal government has to compete with wages paid in the private sector for 'skilled people'. I am sure most elected MP's realize they will be voting with their party. Not much 'skill' involved there.

Roy Esler  
La Riviere, MB

## A proof is a proof

I am a Canadian citizen living and working abroad. I recently received a letter from Elections Canada asking that I verify my address. Fine. I sent in the information: my name, address, date of last departure from Canada and expected date of return.

Now I receive a second letter asking that I verify the information I had just sent in! I had to fax in the

response, with my signature, before a deadline or my name would be taken off the list of eligible voters. This I thought was strange. Do they think I forgot how to spell my name? Now I will check my mailbox each day to see if I have to verify the verification of the verification of my eligibility to vote.

This is yet another example of taxpayers' money being wasted by a bureaucracy out of control. How much more proof do we need? After all, as Chretien said, a proof is a proof.

Mark P. Nelson  
Tallinn, Estonia

## The Conan Controversy

I found your criticism of \$1-million being spent to bring the Conan O'Brien show to Toronto to be poorly conceived, poorly timed and poorly executed. It is extremely difficult to believe that this is the most important issue facing Canadian taxpayers today. This, while serious misappropriations of taxpayers' funds go under-reported.

John Fernandes  
Toronto, ON

## Sponsorship scandal

I am truly beside myself over scandals uncovered in Auditor-General Sheila Fraser's report. When are we going to create a "made-in-Canada Boston



# Letters-to-the-editor

Tea Party"? Last year I earned \$44,000 working my butt off in a powdered metal factory. Out of that \$44,000 I only have approximately \$3,520 for my own personal use. This is totally ridiculous. I feel like a serf living back in Robin Hood's time under King Paul.

Kim Bruce  
St. Thomas, ON

I am so upset over what our Liberal government has done! I am writing to see if there is anything we can do. If it was one of us we would be put in jail. Is there anything that we could do together to let them know that we feel that they do not deserve their pensions? I believe their pensions should be taken away as we know they will not be going to jail for this.

Nadine Doggett  
Barriere, BC

I am scandalized, as are many other Canadians, with the revelations of the Auditor General of Canada, Sheila Fraser, reporting how the federal government abused public funds. I am appalled with the realization how easily governments, whether on the federal or provincial level, can use public funds for purposes other than for what they are intended.

Dalton R. Catchpaugh  
Granby, QC

During the time that all of this money laundering

was taking place in Ottawa myself and 150,000 other disabled people in Canada were put through a living hell and had our disability tax credit taken away. We then had to re-apply under rules so strict most gave up trying. Thanks to the work on my behalf by Bill Casey I had mine reinstated. I am enraged when I think of the millions — no billions of dollars — that have been wasted on pay-offs by this government.

Barb Carmichael  
Winnipeg, MB

I can barely contain my revulsion at the continued abuse of the Canadian taxpayer. I have been self-employed for the last 13 years and would not trade this life for any other. I have no objection to paying my fair share of taxes for necessary government services. But when I see the arrogant waste of my hard earned dollars, it makes me want to vomit. How do we get off this death spiral? If something doesn't change, the whole rotten structure will collapse on itself.

Paul Riopel  
Edmonton, AB

## VICTORY IN VICTORIA COUNTY SHORT LIVED

Your readers may be interested in this follow-up regarding our de-amalgamation fight in Victoria County, Ontario. To recap the story from your March-April issue, sixteen municipalities in Victoria County were forcibly amalgamated into the single-tier "City of Kawartha Lakes" in 2000. Our residents didn't take this lying down. For three years, via petitions and a citizens' referendum, we badgered the Ontario government for a referendum on de-amalgamation. Finally, the province granted us a referendum in November 2003 and the people voted "Yes" to de-amalgamate.

The Ontario Liberals, when in opposition, gave us strong support. Dalton McGuinty promised, if he became premier, to give us a binding referendum on de-amalgamation. The Liberals were elected, in Oct. 2003. Led by the new minister, John Gerretsen, Municipal Affairs held public information sessions regarding the referendum, and sent scrutineers to watch the voting process.

Yet on February 19, 2004 Mr. Gerretsen announced that he would not honour the result of the referendum. He did not even present the result to the Legislature.

No, this isn't the end of the story. Just this chapter. The issue is no longer just de-amalgamation. People across Ontario, horrified at the implications of elected governments ignoring democratic votes, are joining Victoria County's fight for democracy.

Anne Panter  
Verulam, Ontario



# Waste Watch

## 800,000 Tax Dollars for the Pigskin:

According to government documents obtained by the CTF, last year the Canadian Football League (CFL) received more than \$800,000 in subsidies from Ottawa. So what exactly did taxpayers get in return for their hard earned tax dollars?

Most of the funds were provided to promote the government's 1-800-O-Canada info hotline and the Canada.gc.ca website. Promotional material included ad spots on jumbotrons and various banners in stadiums across the country as well as promotional giveaways to fans on game day.

Speaking of giveaways, Grey Cup provided the veritable smorgasbord. In total, Ottawa spent \$70,000 at the big game held in Regina last November. This included: \$8,200 for fleece scarves, toques, paper flags, bookmarks and related promotional items. \$24,075 went to hand clappers with the CFL logo and federal 1-800 number printed on it. \$12,000 was spent on a Government of Canada kiosk including: \$6,400 for staff and \$4,000 for travel. Before the kick-off of these important expenditures, Communications Canada spent \$2,100 sending their quarterback to Regina to set up Ottawa's Grey Cup plays.

CTF ATI Request

## Belch study

The federal Environment Department is spending \$50,000 to discover how much methane cows release when they belch.

The department believes that cattle are responsible for about 3% of Canada's greenhouse gas emissions -- 19 megatonnes. This estimate is based on data collected in other countries where governments utilized a variety of methods to determine the amount of methane cattle belch out on a daily basis. This included measuring methane concentrations around dairy farm air vents and by attaching sensors on cow snouts.

However, despite evidence from other countries, federal bu-

reaucrats believe Canadian cattle are raised differently, thereby impacting the amount of methane released, and necessitating a Canadian-specific study.

This study is yet another cost related to Canada's participation in the Kyoto Protocol which requires participating countries determine the sources of their country's green house gas emissions.

The Canadian study will be undertaken by the Animal Sciences Department at the University of Manitoba.

A CTF report released in 2002 determined that by 2010, the average Canadian family will pay an additional \$2,700 a year directly related to increased costs and taxes resulting from Ottawa's participation in the Kyoto Protocol.

The Environment Department has an annual budget of \$607 million.

with files from the CTF and [www.Canada.com](http://www.Canada.com)

## Crime does pay

When law-biding citizens lose an item or are robbed they must bear the brunt of costs to replace the stolen items, or hope it's covered by insurance, minus any deductible. Now imagine if the government stepped in and paid for them instead?

Well, if you are a convict living inside a federal penitentiary, that's exactly what happens.

Hard to believe isn't it. You would think that in a federal penitentiary there would be signs posted in every room warning inmates that items are left at owner's risk.

Nonetheless, in 2002-03, taxpayers paid out \$107,275 for 714 claims. This was down slightly from the year before, when taxpayers paid \$118,000.

With its annual budget of \$1.25 billion, Corrections Canada believes that it is responsible for items stolen in its penal system and in some instances even items that have mysteriously disappeared. Though the feds claim to



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**Subsidizing green fees and martinis for Toronto's well-heeled**

# Waste Watch

investigate each case thoroughly, many are convinced that the cons are scamming Corrections Canada with their claims.

The following lists a few of the missing or stolen items that taxpayers paid for in 2002-03:

- Missing kettle - \$15
- Lost black Arnette sunglasses -- \$60
- Damaged TV -- \$100
- Missing gold bracelet, video game and razor -- \$507
- Missing TV controller -- \$35
- Missing black shorts and extension cord -- \$13
- Tobacco, lighters and rolling paper -- \$30.71
- Nike pants, Air Jordan shoes, gym bag -- \$365
- A Bic lighter -- \$2
- Handmade jewellery boxes -- \$200

With files from the CTF / *Toronto Sun*

## Sponsorship: The saga continues

In 1997-98, Canada's most infamous sailing ship, the *Bluenose*, was given \$2.3 million under the federal government's sponsorship program. Montreal-based Lafleur Communications Marketing — the firm designated to handle the funding — was supposed to keep its usual cut of 12% to 15% before funnelling the rest of the money to the *Bluenose II* Preservation Trust, which maintains a full size replica of the *Bluenose II*.

However, an audit of the accounts showed that the *Bluenose* Foundation only received \$294,389 that year and the rest of the money has mysteriously sank from sight. The federal government is suing to recover the lost revenues.

with files from the *National Post*

## Your worst nightmare

If somebody you knew routinely marked an "X" on other peoples' walls with his own blood, stood naked in garbage dumps in front of decaying flesh, cooked and ate food using other peoples' blood, hung naked upside down strapped to a wall, lay naked with blood dripping out

Did someone sail away with the money designated for the *Bluenose II*?

of his anus positioned so the blood drips into his mouth, you would be calling the nearest mental health institution and getting this man some professional help.

However, if you instead call this behaviour 'art,' you can expect a Governor General's award complete with \$15,000 in taxpayers' money.

The man in question is Hungarian born artist Istvan Kantor of Toronto. His off-the-wall behaviour resulted in him being permanently banned from the National Art Gallery after a bloody X incident in 1991. Two years earlier, he sprayed blood on a Picasso hanging in New York's Museum of Modern Art while trying to put an X on their wall.

Kantor received the award under the category of 'Visual and Media Arts.' Since the presentation included attending a media session at the National Art Gallery, Kantor needed special permission from the gallery to attend. With two guards assigned to keep an eye on him, Kantor was on his best behaviour.

Kantor was one of seven individuals receiving the award this year. Others included Iain Baxter whose art includes a four-bedroom home where every item — utensils, furniture, etc — is bagged in plastic.

Adrienne Clarkson handed out the awards at a ceremony held March 10th at the Governor General's residence — Rideau Hall.

with files from the *National Post* / [www.canadacouncil.ca](http://www.canadacouncil.ca)  
/ *Ottawa Citizen* / *Globe and Mail*



## Bureaucracy destroys business

Taxpayers are on the hook after an Ontario court recently ordered the Canadian Commercial Corporation (CCC) — a federal crown — to pay Amertek and its investors \$70 million.

The CCC, with its annual budget of \$16.2 million, provides guarantees that Canadian businesses bidding on military projects — primarily in the US and



# Waste Watch

Canada — have the expertise, financial strength and manufacturing capability to fulfil their contracts.

In his ruling, the judge said bureaucrats working for the Ottawa-based Crown corporation had destroyed Amertek, and in the process defrauded the American government.

In 1984, both the Canadian and US governments awarded a contract to a Quebec-based company called Walter Trucks Inc. to build fire and crash rescue trucks. CCC certified that the company could do the job. However, just weeks after winning the bid, Walter Trucks Inc. went belly up. CCC was now subject to fines of up to \$20 million because it had guaranteed that the company could fulfil its obligations.

CCC then approached Amertek about taking over the contract. This is where the problems started. According to the court ruling, CCC bureaucrats had lied to Amertek and didn't warn them about the serious flaws in Walter Truck's bid — flaws that eventually put the company under. Neither did CCC ensure that Amertek had the financial and technical expertise to fulfil the order.

At the same time, CCC convinced US military brass to allow the contract to be transferred to Amertek by assuring them that the company could fill the order. This way, CCC could avoid paying any penalties. However, CCC's own internal memos showed they knew Amertek was not up to the task.

In 1993, Amertek declared bankruptcy due to significant losses resulting from this contract. When Amertek started running into trouble, CCC bureaucrats appeared sympathetic and eager to help the company. But an e-mail from one CCC bureaucrat to his senior managers painted a completely different story. In it, the bureaucrat laid out a plan to sink Amertek, telling his managers to: "Sink the suckers. They are out on the plank. Let's keep them walking."

When news of the controversy surrounding Amertek's bid started to surface, CCC approached Deloitte

Touche to perform an audit on the contract. Deloitte agreed to do the work for \$24,000. However, Douglas Patriquin, the president of CCC, offered Deloitte an additional \$50,000, if CCC could control which people Deloitte interviewed and what documents it studied. Deloitte agreed.

The resulting audit, of course, completely vindicated CCC officials. The judge agreed with Amertek's lawyers who claimed the audit was a "farce" and a "white wash."

The judge described the behaviour of senior CCC managers as "shocking," adding that their attitudes would cause people to "lose confidence in a federal crown or department." He added, "the conduct which spawned this lawsuit will continue unabated unless the person at the helm changes or is changed."

The federal government, despite strong opposition from Liberal backbenchers who feel CCC was in the wrong, will appeal the decision.

With files from the *National Post* / Federal Government Estimates

## Defunct museum

In May of last year, then-Prime Minister Jean Chretien announced yet another in a long list of 'legacy projects' providing Canadians one more reminder of his expensive tenure.

According to documents released at the announcement, the Canada History Centre (CHC) was supposed to cost taxpayers \$90 million. However, government documents pegged the actual costs at closer to \$148 million.

The CHM, which would apparently be little more than glorification of Canada's politicians, was to be built in Ottawa's old downtown rail station.

Fortunately, the project was caught up in the spending freeze initiated by Paul Martin when he came into office in December. Fingers crossed, it will hopefully go the way of the Dodo bird.

Though it seemed that taxpayers may have dodged the bullet on this one, they did take a flesh wound. Prime Minister Jean Chretien and former Canadian Heritage Min-



**A missing kettle cost taxpayers \$15**

# Waste Watch

ister Sheila Copps managed to waste \$323,000 just announcing the project.

So how do you spend these kind of tax dollars announcing a museum project?

First, you contract a communications firm called Scott Thornley & Company to manage the public relations' event. They in turn charge you \$196,000 to stage the event and another \$67,000 just to plan it. This included spending \$14,800 on an eight-page program, \$10,350 for wall banners, \$25,000 on wall murals, \$6,000 for catering, \$25,000 on a large screen presentation and the list goes on and on.

Then you spend an additional \$60,000 renting the Government Conference Centre where the special lighting and rigging alone sets you back \$25,000.

Incredibly, this was the econo version of the promotion. Apparently, Scott Thornley had a Cadillac version of the event that would have set taxpayers back \$417,000. No indication of why the government didn't bite on this deal.

with files from the *National Post*

## Kyoto propaganda

Environmentalists are feverishly rewriting their pro-Kyoto propaganda.

If we all remember back to the early days of the propaganda war, Canadians were direly warned that if the Kyoto Protocol was not implemented planet earth would turn into the world's largest sauna.

But lately, there has been some disturbing news on the Kyoto front. According to an article in the *Globe and Mail* entitled "Cold truths about global warming," it appears that winters are in fact getting colder — as every Canadian can attest. This has forced Kyoto environmentalists to issue an immediate recall of all propaganda stating that carbon emissions would result in warmer temperatures. These documents are being shredded as we speak.

The new approved propaganda now states that without the immediate implementation of the Kyoto Protocol that

'global warming' will cause 'global colding.' This version of the Kyoto propaganda is expected to remain in effect until the dog-days of July.

with files from the *Globe and Mail*

## India Opts for Tax Cuts

India has long been considered a so-called third way 'quasi-planned economy.' More recently however the Indian government is embracing smaller government and tax cuts. India's Finance Minister Jaswant Singh is considering elimination of a 2.5 per cent surtax on corporate income and a 10 per cent surtax on personal income in the 2004 budget.

Some international commentators have noted that a new policy approach may be emerging among middle-tier economies like India. A similar shift toward tax cuts as an economic generator may be underway in such countries as Turkey, Afghanistan, Iraq, and Egypt.

with files from the CTF

## Golf cart welfare

The exclusive Rosedale Golf Club, along with eight other private golf courses in Toronto, have an arrangement with the city that allows them to defer paying a significant portion of their property taxes in perpetuity.

A section in the Ontario Assessment Act allows golf courses to fix their assessment at the point they apply. In the case of Rosedale, they applied in 1956. And despite substantial increases since then, the course pays its property taxes based on that 1950s rate.

The tax relief, however, is only deferred. The government keeps a cumulative tally of the property taxes the course should have paid each year and the outstanding amount will have to be paid, if and when, the golf courses are sold.

But until then, the well-heeled of Toronto not only golf at subsidized rates, they can



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\$3,000 for 'dupe of the year'?



# Waste Watch

drink subsidized martinis.

Other Toronto golf courses who have received this special deal include the Lambton Gold and Country Club and the Toronto Hunt Club. In total, 13 Ontario golf courses have these special agreements and it is estimated they owe about \$20 million in deferred taxes.

In 1981, the Rosedale golf course owed the city of Toronto \$600,000 in deferred taxes, an amount that has since skyrocketed to nearly \$6 million.

With files from Radio Canada / *Globe and Mail*

## Buying swamp land in Florida

The Saskatchewan government was recently awarded the American Capital of Culture (ACC) for 2005 by an organization of the same name based in Barcelona, Spain. According to ACC's news release, one of its goals is "to act as an instrument for inter-American cultural integration."

In its news release, the ACC stated that Saskatchewan merited this previously unheard of honour because 2005 was Saskatchewan's 100th birthday and the province had started the Saskatchewan Arts board in the 1940s.

Unfortunately, this award doesn't come cheap. That's right, you have to buy it.

Apparently, the cash-strapped Saskatchewan government paid a \$3,000 application fee to be considered for the nomination. But the real costs don't kick in until you have been awarded the prize. In fact, the price of purchase is so steep that many jurisdictions turned down the 'supposed' honour. The award was given to the city of Toronto in 1999 who said thanks but no thanks when told they would have to pay \$425,000 US to actually buy it — err — receive it.

The City of Austin, Texas similarly backed out when it received the award for 2004 because the city was required to spend millions of dollars to fulfil its obligation.

The Saskatchewan government has since found out it would have to pay \$500,000 for the award and thankfully declined the honour. There was no indication if the Cal-

**Taxpayers didn't applaud this purchase**

vert government asked what type of award it could have purchased with its \$3,000 application fee — perhaps "dupe of the year."

*The StarPhoenix, Regina LeaderPost and National Post*

## Celebrating a mass murder?

If the Canadian government is any example, two hundred years from now the Spanish government will be honouring the men who set bombs on four commuter trains this past March slaughtering 200 men, women and children.

Ottawa recently gave \$200,000 to a group in Newfoundland so it could honour a 16th century mass-murderer from that province. The man in question is Pierre d'Iberville who in 1696-97 killed 200 English settlers living along the Avalon peninsula. Prior to this, he had murdered 60 settlers living in New England.

The funding was part of festivities celebrating the 500th anniversary of French heritage in that province.

D'Iberville's legacy will be celebrated through an adventure race named after him which travels the route of his bloody rampage. Four events will also be staged along the heritage trail commemorating the massacre.

The money will come from a variety of sources including the Atlantic Canada Opportunities Agency, which contributed \$84,500, Human Resources Canada and of course Canadian Heritage. Additional money will also be spent on a series of panels commemorating this historic event.

with files from the *National Post*

## Oh Oh

The federal government is investigating allegations that the Department of Defence was scammed out of millions of dollars in relation to a computer purchase and service contracts with Compaq Canada, which was recently bought out by Hewlett Packard Inc (HP).

According to forensic auditors and the RCMP, the Department of Defence paid about \$160 million for phony invoices billed for products and services never received. Spokesmen with the Department



# Waste Watch

of Defence, the Auditor General and HP officials would not confirm the accuracy of this amount.

However, the US division of HP made disclosures to the US Securities and Exchange Commission, that the Canadian government has stated it did not receive full value with contract entered into with HP and if proven these would have a “material effect” on HP’s cash flow. Since HP is a huge multinational corporation, the amount in question must be staggering in order for it to have a pronounced effect on HP’s cash flow.

The mid-level defence bureaucrat who oversaw these computer contracts was fired. According to media reports, he lives in a house worth \$1.35 million. The computer sales rep who handled many of the deals in question no longer works for the company. Both employees are under investigation by the police.

The federal government is holding back payment on millions of dollars in bills to HP until a forensic audit of the invoices is complete.

with files from the National Post / Globe and Mail

## The all-inclusive vacation

Fresh on the heels of a year dedicated to waste are revelations that Governor General Adrienne Clarkson and her jacuzzi socialist husband, John Ralston Saul, used federal planes to go on vacation.

Apparently the pair were wanting to visit their summer cottage located on Georgian Bay in Ontario but were dreading the seven-hour drive. Their all-inclusive vacation package came complete with an RCMP officer who drove them from the airport to their private island.

But the news gets worse. In order to prepare for the flight, Transport Canada ordered practice runs on the KingAir, the plane used for the flight, to ensure that the plane’s GPS (a global navigation tool) would function en-route to the Parry Sound

airport.

Clarkson aides defended the travel costs claiming that she only orders the flight once a year. However, the manager of the Parry Sound airport recalls Clarkson using the airport upwards of six times a year.

The expenses for the Governor General’s office hit nearly \$41 million in 2003-04, with the RCMP spending \$3.2 million on protection and the Defence Department spending \$2.4 million on flights.

with files from the National Post

## Costly e-mail

Michael Gourley, a former Ontario deputy finance minister and big time mover and shaker in the Progressive Conservative Party of Ontario was contracted by Hydro One in 2002 to provide some advice. The untendered advice came with a price tag of \$105,000. So what advice did Ontario taxpayers get for their \$105,000?

Well, the *Globe and Mail* decided it would investigate and made a freedom of information request for all documents, studies and reports provided by Gourley under terms of the deal.

The only thing that Hydro One could dig up on Gourley’s work was a measly one-page e-mail.

In the e-mail, Gourley provided advice on how

to gain public support for the privatization of Hydro One. It also contained such revelations as “governments should not be in business.”

According to the *Globe and Mail*, there was a lengthy passage where they weren’t sure exactly what he was talking about.

Gourley was part of a group set up in 1999 by the provincial government to study the issue of privatizing Hydro One. The group reportedly received over \$5.6 million in untendered contracts.

with files from the *Globe and Mail*



Photo by Miklos Legradý, [www.canadacouncil.ca](http://www.canadacouncil.ca)

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**\$15,000 for a bloody ‘X’**



# 6th Annual Teddy Waste Awards Kissing your tax dollars goodbye



It was another star-studded event at the CTF's sixth annual Teddy Waste Awards ceremony on Parliament Hill.

**F**ollowing in the footsteps of the Oscar's entertainment award show your CTF again honoured the best of the worst in government spending. CTF federal director John Williamson acted as master of ceremonies, CTF research director Bruce Winchester safeguarded the identities of the nominees and winners, and Teddies model Stephanie Forest aided with presentation of the three golden sow statuettes.

The Teddies are named for Ted Weatherill, a former senior public servant, who was terminated in 1999 for living high on the hog at taxpayers' expense. Teddies are awarded annually to a public office holder, civil servant, department or agency that most exemplifies government waste, overspending, over-taxation, excessive regulation, lack of accountability, or any combination of the five.

It was a blockbuster year for government waste and The Teddies are an appropriate way to give the people who fleece Canadian taxpayers the recognition they so richly deserve. Taxpayers are told their governments need more money to pay for improved services and infrastructure, yet many millions of tax dollars were spent without proper oversight or wasted on boondoggles.



# FEDERAL NOMINEES.....

## Best Remake of *The Madness of King George*:

Former Privacy Commissioner George Radwanski over revelations of massive expenses — some \$500,000 over two years — which were not fully disclosed before a Parliamentary Committee. Bowing to public pressure, Mr. Radwanski eventually resigned, but only after his staff revolted and Members of Parliament threatened to de-throne him.

## Worst Adaptation of a suspense thriller — *Silence of the Hogs*:

Co-written and co-directed by former Public Works Minister Alfonso Gagliano — who also has a starring role in this national \$250-million blockbuster — the Quebec sponsorship scandal will likely have many more sequels. It is a story of lost innocence, betrayal by ranking government members, and taxpayers' rage. A 2002 sneak preview of early trailers signalled the scheme was about more than contracts awarded to GroupAction and Ottawa paying \$1.5-million for three identical reports. The Auditor General recently revealed \$100-million was paid to firms for little or no work. Will Gagliano's Commons committee appearance



leave audiences asking, "Who done it?"

## Lord of the Frequent Flyer Points:

In fiscal 2002/03, Saskatchewan MP Rick Laliberte (Churchill River) spent \$310,000 on travel, making him Canada's highest flying lawmaker. Responding to CTF questions about his spending levels, Mr. Laliberte explained his spending reflected the true cost

“It was a blockbuster year for government waste ...”

of travelling to his constituents — not just the good people of Churchill River — but to what he termed 'Middle Canada.' Did you encounter any hobbits on your journeys, Mr. Laliberte?

## Worst Adaptation of *Breakfast at Tiffany's*:

This is the story of Charles Boyer, a young public servant in Ottawa, who is kept by a prominent, older woman. Mr. Boyer dinged taxpayers for almost \$30,000 over a two-year period while his boss, Heritage Minister Sheila Copps was seeking the Liberal leadership. One memorable scene has Mr. Boyer rushing from restaurant to restaurant on June 12, 2002, charging taxpayers for two separate dinners. (The first for \$102 at an Ottawa-area Japanese restaurant and a second \$397 meal in Little Italy.)

## Toy Story III — Biggest Visual Effects Flop:

Director General of Audits at Public Works and Government Services Norman Steinberg's \$174,581 purchase of electronic gear, including a \$19,000 plasma televi-



sion. Other taxpayer-funded expenses were \$60,000 in computer software, a \$3,200 Sony VAIO Picture Book notebook computer, a \$22,181 home entertainment unit, and \$6,400 for furniture, including a comfy sofa. ■

### Federal Award Winner:

The federal Teddy went to the Quebec sponsorship scandal, the Silence of the Hogs. Special thanks to all Canadian taxpayers for giving the Government of Canada the means to pour \$100-million into the pockets of Liberal-friendly advertising firms.



## PROVINCIAL NOMINEES.....

### Worst Use of Props — Pizza 9-1-1:

The Ontario city of Kawartha Lake's fire department has offered to deliver pizzas to residents as part of a fire safety promotion cam-

paign. If Kawartha residents own a working smoke alarm the pizza will be free. Also rumoured to be in the works is a second proposal involving Kawartha Lakes' sanitation department providing dry cleaning services.

### Most Expensive Cameo:

In October 2002, Queen Elizabeth II and Wayne Gretzky ceremonially dropped the puck at a Vancouver Canucks game. According to information released under British Columbia's Access to Information law, here is how the bill broke down: \$21,000 for catering; \$11,000 to decorate the loading area; \$1,000 for new wallpaper; \$9,000 to rent a tent and red carpet; \$13,000 for media services; and \$7,800 for other costs, including ice cream for camera crews.

### Worst Adaptation of Kramer vs. Kramer:

An expensive and unnecessary trial in an Edmon-



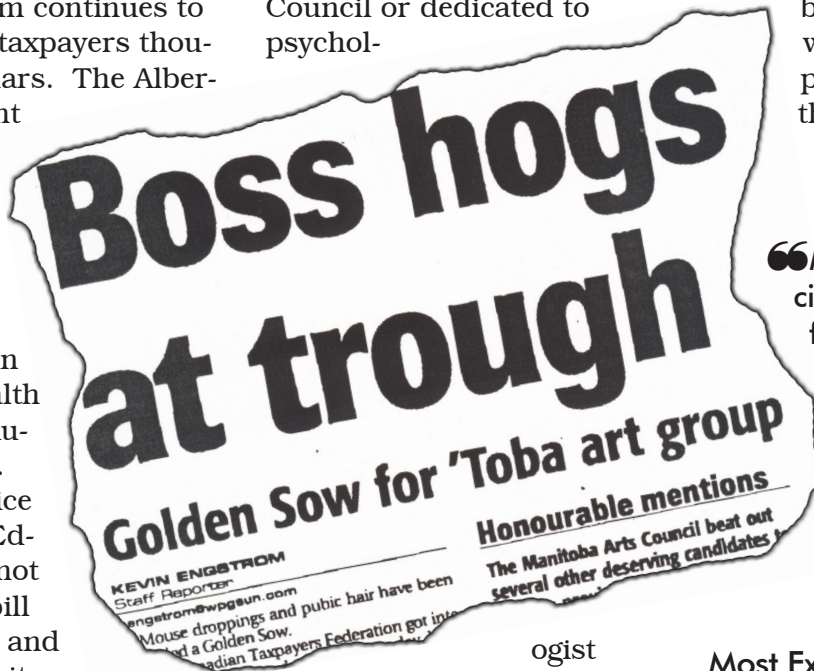
Model Stephanie Forrest kisses over \$313 million of your tax dollars goodbye — this figure represents the total accumulated waste of this year's Teddies.

ton courtroom continues to cost Alberta taxpayers thousands of dollars. The Alberta government charged the City of Edmonton after PCB-laden drops fell from a light fixture in Commonwealth stadium in August of 2001. Alberta Justice claims that Edmonton did not report the spill immediately, and charged the city with violating provincial environmental laws. It has cost hundreds of thousands of tax dollars to pay for Edmonton's defence, plus more tax dollars to pay for prosecutors, judges, clerks, and other court costs. Taxpayers are rightly wondering if two levels of government fighting each other in court is a proper use of tax dollars. Nonetheless, the show goes on.

### Worst Costume Design:

The sequel to the taxpayer-funded artist who displayed dead rabbits as "art." Manitoba Arts Council put up \$5,000 to fund Aliza Amihude's jewelry made with her toenails, pubic hair, mouse droppings and dead ladybugs. We are told one necklace sold for \$360. No word yet if the "art" proceeds will be repaid to the Arts

Council or dedicated to psychol-



ogist bills. (Memo to the Arts Council: Who were the unsuccessful applicants?)

### Special Distinction for Vote Buying:

The Saskatchewan government launched a glitzy ad campaign in the fall of 2002 — conveniently during the run-up to a provincial election — aimed at stemming the province's steady population loss. New Democrat Premier Lorne Calvert told taxpayers the campaign would cost \$2-million in the first of three years. One year later, the CTF revealed that \$5.5-million had already

been spent. The NDP was re-elected, but people are still leaving the province.

“Manitoba Arts Council put up \$5,000 to fund Aliza Amihude's jewelry made with her toenails, pubic hair, mouse droppings and dead ladybugs.”

### Most Expensive Cancelled Sequel Since Waterworld 2:

After last October's Ontario election, a bevy of Mike Harris appointees received the golden kiss-off, including Michael Gourley of the Ontario Financing Authority (\$900,000) and William Farlinger of Ontario Power Generation (\$152,000). And recently it came to light that \$5.6-million in untendered Hydro One consulting contracts went to friends of the former government. Is it any wonder Ontario voters pulled the plug and opted for a change in the recent provincial election? ■

### Provincial/Municipal Award Winner:

The provincial/municipal Teddy winner is the Manitoba Arts Council for awarding 5,000 tax dollars to a project no person of sane mind would classify as art. But happily for artists like Amihude, the Manitoba Arts Council has somewhat lower standards.



# LIFETIME ACHIEVEMENT.....

## Lifetime Achievement Teddy — Adrienne Clarkson

A Lifetime Achievement Teddy is bestowed to Adrienne Clarkson for taking an office most Canadians respect and admire, and treating it with contempt. At a time when Her Majesty Queen Elizabeth II has begun to pay taxes it is unseemly that the representative of the Sovereign in Canada shrugs off legitimate inquiries into her spending habits by announcing she is “above politics.”

Warning signs of Mme. Clarkson's prolific spending came early in her tenure. On a visit to British Columbia's capital in 1999, the Governor-General opted for the lavish Empress Hotel over Government House. The 102-room Government House has hosted members of the Royal Family, including the Queen who visited in 1994, yet it was not good enough for Mme. Clarkson.

Since 1995 the costs for operating the Governor-General's office have doubled from \$10-million to \$20-million. On top of the \$20-million, Mme. Clarkson's of-

fice also receives an additional \$15-million from other departments.

Included in these figures is \$10-million from the National Capital Commission for “renovations.” In 2001, the NCC spent \$2.6-million including \$29,242 for a new dining room carpet, \$55,171 on repainting, \$32,000 on furniture repair, \$7,787 on drapes and \$40,300 on fabrics. Then there were costs associated with the gardens at Rideau Hall, including \$77,290 for “landscape consultants.” Mme. Clarkson also spent \$43,449 for a new rose garden, \$9,318 for top soil, \$63,000 for other shrubs, fruit trees and emerald cedars and \$32,665 to install beech trees.

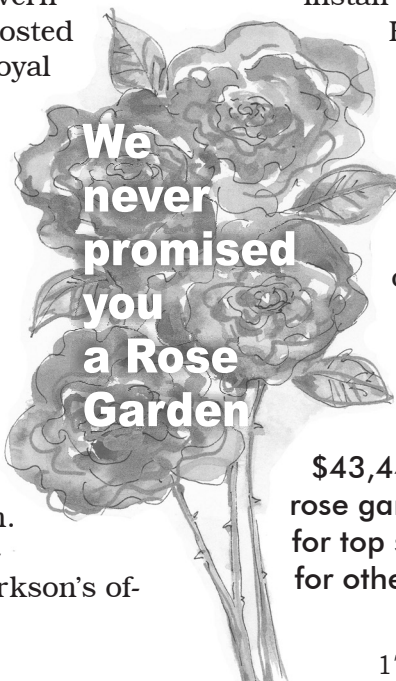
Finally, Mme. Clarkson spent \$1,299 on snowshoes and \$378 for storage of her fur coats.

“Mme. Clarkson also spent \$43,449 for a new rose garden, \$9,318 for top soil, \$63,000 for other shrubs ...”

Of course, Mme. Clarkson will be best remembered for her three-week “Quest for the Modern North Tour” in the fall of 2003 to Russia, Finland and Iceland. The trip was taken despite the Governor-General having no foreign policy or foreign representative function as the Queen's representative in Canada. With husband John Ralston Saul, 22 staff members, and 59 luminaries like Bob Rae and Michael Ondaatje, the junket was expected to cost \$1-million. The final tab was \$5.3-million. The federal government cancelled the second leg of her tour originally planned for later this year.■

### ***Lifetime Achievement Award Update:***

Shortly after Mme. Clarkson was awarded a beautiful golden sow as recognition of her profligate spending while serving as Governor-General it was revealed to a Commons committee that her office spent \$41-million in tax money last year. The Governor-General's budget has increased by 410% or \$31-million since 1995.





# What did the tax bureaucrat say contest

In the Nov/Dec 2003 issue of *The Taxpayer* we brought you the first ever "What Did the Tax Bureaucrat Say" contest.

In August of last year your CTF received a letter from Bill McCloskey on behalf of federal Revenue Minister Elinor Caplan explaining why Ottawa applies GST to federal and provincial fuel taxes at the pump. As if fuel taxes aren't enough, the federal government actually taxes the tax! Explains Mr. McCloskey:

"[Legislation] provides that every recipient of a taxable supply made in Canada shall pay the 7% GST, or the 15% HST, on the supply calculated on the value of the consideration for the supply. Consideration includes any amount payable for a supply by operation of

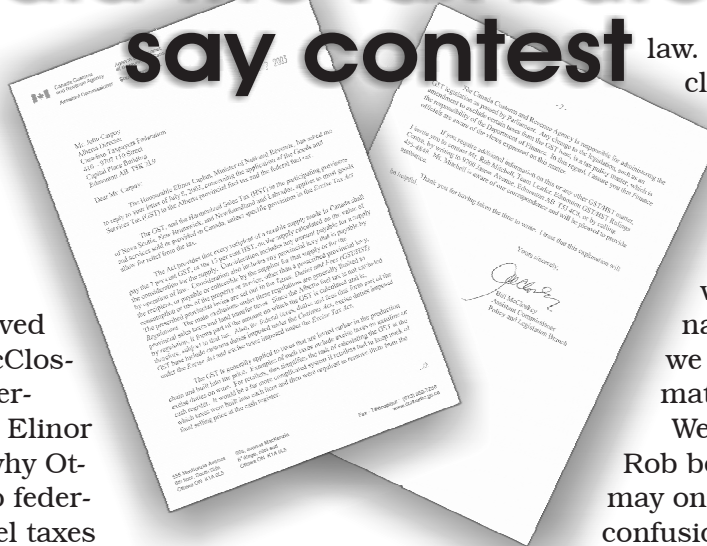
law. Consideration also includes any provincial levy ... federal taxes, duties and fees ..."

Huh?

Mr. McCloskey goes on to suggest that we contact some guy named Rob Mitchell if we require "further information".

Well, we didn't contact Rob because we figured it may only lead to yet more confusion. So instead, we threw the interpretation over

you in an effort to make sense of it all. What follows is a summary of some of the responses. And while they were all good, the contest winners – and recipients of new dictionaries – are Jim Fletcher of Vancouver and Ken Butchard of Edmonton. Their 'interpretations' are below. Thanks to all those who participated.



"The GST is charged on all goods and services not excluded by regulation.

Common sense indicates the fact that a "tax" is not a "goods or service." However, in the case of taxation, facts that could reduce government revenues are at times ignored. When the GST legislation was drafted, the policy of taxing taxes, by design or error was not excluded, so they are therefore taxable."

Ken Butchard  
Edmonton, AB

"I will explain the GST stuff to you ... hit you with a barrage of bureaucratic mumble jumble that will

leave you scratching your head and make you think that you are dumb for not understanding ...

In the end I will conclude with passing you off onto a guy I have never met named Rob, who will no doubt have to attempt to understand this letter as well, thus creating more confusion.

Thank you for wasting my time, and I hope that this letter confuses you so much as to ensure that you do not contact us again.

Hope this clears things up for you."

Kevin Stauch  
Brimpton, ON

"You note that the cost of

gasoline already includes various levels of government taxes, and that the GST/HST is thus a tax upon a tax.

We are most appreciative of your alerting us to this taxation phenomenon.

With the benefit of this enlightenment, we have decided that for all taxation years beginning after December 31, 2002, we will similarly apply the GST/HST to all income tax, property tax and other tax payments, in recognition of the fact that these payments are clearly for services of much greater value than gasoline. We are also considering going to the logical limit, and applying

## THE TAXPAYER

the GST directly to the GST.

With our sincere thanks for being such a diligent, enthusiastic and observant taxpayer."

Jim Fletcher  
Vancouver, BC

"The feds tax on a tax won't abate. Just look at the revenue it generates!"

Al Romanchuk  
Edmonton, AB

"As a taxpayer you have the duty to pay taxes and you have the right to know this fact ... You have no right to question why we do what we do. Your only obligation is to continue remitting your tax dollars and keeping your mouth shut. If you can relate to this, then you should have no further questions as to why Ottawa applies GST to provincial and federal fuel taxes at the gas pump."

Audrey Meckling  
Weyburn, SK

"Let me answer for my boss whom likes to avoid these types of questions. With the huge amount of pork barreling nowadays we need funds. This is clearly provided by the taxes, duties (which are not taxes) and fees (which are also not taxes). If we did not have this [legislation] we would be forced to be accountable to everybody with a reasonable objection. After many costly conferences in expensive places we have created 'Team

Leaders.' Please contact them for another response.

P.S. This is not our fault we only work here."

Dan Christakos  
Prince Albert, SK

"Shut up and quit your crying. The government can charge anything, anywhere at any time, even a tax on

a tax, and you cannot do a thing about it.

You see, we have custom duties under the Customs Act, duties under the Excise Act, and excise taxes under the Excise Tax Act. And besides, we love getting all that money."

Mary Welch  
Roland, MB ■

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Ottawa's  
Quebec  
sponsorship  
scandal:

# THE SEEDY UNDERBELLY OF GOVERNMENT

by Bruce Winchester

**N**ewspaper headlines sing a familiar tune of late: government officials are squandering our tax dollars. And it's not just limited to one party. Consider the following: the NDP government in Saskatchewan spends \$12 million on 'feel good ads' in the lead-up to an election; the former Progressive Conservative government in Ontario gives \$6.6 million in untendered contracts to its friends at Ontario Hydro; and last, but not least, a three ring circus unfolds in Ottawa involving the Liberal gov-

ernment and a \$250 million sponsorship program in Quebec.

Of course none of these tax dollars would have been squandered had governments not been involved in the first place: corporate welfare grants that favour one business over another, arts and cultural grants to recipients who at times seem bent on rubbing taxpayers' noses in their art, cushy contracts for friends of government and slush funds designed to advance partisan rather than taxpayer interests.

In the meantime, audi-

tor generals across the country continue to examine and report on these programs. However, few auditors reports have earned the notoriety – and outrage of a country's taxpayers – as that of Sheila Fraser's February 2004 report detailing the federal sponsorship program.

## In the Beginning

The story of the sponsorship program begins with the 1995 referendum in Quebec which saw a narrow win for the federalist side. Reeling from almost losing to the separatists, then Prime Min-



ports. Prime Minister Chrétien was unapologetic: if some money was wasted in the Quebec sponsorship program it was worth it to keep the country together.

Alphonso Gagliano was Minister of Public Works and Government Services, the department responsible for the program. When concerns were raised over the contracts Jean Chretien quickly shuffled him off to serve as Canada's Ambassador in Denmark. As for the AG's report, Fraser found sufficient-enough evidence of wrongdoing that the RCMP were called in to investigate, and her office began an audit of the entire \$250 million doled out under the Quebec sponsorship program between 1997 and 2001, plus another \$800 million worth of federal government advertising between 1998 and 2002.

### February 2004 Audit

The simplest way to describe the chapters in the AG's report dealing with sponsorship and advertising is: appalling. In describing the Quebec sponsorship program, the AG observes in chapter three of her report:

When it created the Sponsorship Program, the federal government did not inform Parliament of the program's real objectives; nor has it ever reported the results ... We noted that the Sponsorship Program operated without guidelines ... Transactions were designed to hide sources of funding

**“If we stop asking civil servants to act as promoters of government and start asking them to serve taxpayers, then we stand to end a great deal of waste.”**

to crown agencies ... Many of the transfers ... to crown entities were made through communications agencies who were paid commissions to move the money.

Implicated in the sponsorship program were crown agencies such as the Business Development Bank of Canada, National Arts Centre, VIA Rail, Canada Mortgage and Housing and even the RCMP. Most troubling is the role played by advertising agencies such as GroupAction, Lafleur and I.D.A. Vision. Each of these well-heeled Liberal agencies were paid significant fees for arranging sponsorship deals with crown agencies. In other words, these ad agencies were paid for doing nothing. This last revelation sets the stage for chapter four of the AG's report that deals with government-wide advertising.

### Federal Advertising -- \$1 billion fiasco

The AG's report dealing with the Quebec sponsorship program showed government acted without adequate control and oversight. It might have been limited to that one program, but the AG also found similar problems

ister Jean Chrétien created a \$50 million a year program in Quebec that would raise the profile of the government of Canada in that province. The vehicle devised by the Chrétien government was a sponsorship program that would dole out tax dollars in exchange for publicity. Suffice to say, your CTF was opposed to this concept from its inception.

Revelations of mismanagement began in 2002 when Auditor General Sheila Fraser first revealed that the federal government had paid \$1.5-million for three identical re-

with the federal government's advertising program. From chapter four:

Competitive process was not used in the selection of several advertising agencies ... Failure to fulfil contractual obligations and ensure appropriate oversight of the [advertising] agency of record ... Unwritten contracts exposed the crown to undue risk ... Departments approved payment of invoices with incomplete or non supporting documentation. Many of the files we audited contained no evidence that departmental officials had met their obligations under the Financial Administration Act.

The Department of Public Works and Government Services (PWGS) was once again the agency at the centre of the controversy, but unlike the sponsorship program, PWGS was responsible for approving the ad agencies, while expenses were the responsibility of the government department which placed the advertisements. Certainly, it further illustrates the magnitude of malfeasance at PWGS, but the audit also reveals the lax attitude of senior bureaucrats in other departments who signed off on questionable advertising expenses.

### Government Response

The response of the newly minted Paul Martin government to this AG's report has bordered on the comedic. Amidst Prime Minister Martin's many responses there is

a lot of rhetoric, but very little evidence of real change. To date his government has cancelled the Quebec sponsorship program, appointed a judicial committee to review the program, fired the heads of four crown agencies implicated in the audit, devised a multi-point action plan, and attempted to inject effective comptrollership into his government's first budget delivered in March. Will these measures have any impact? Those who have followed the AG's reports over the last ten years know that what was revealed in February 2004 is very similar to what has been observed in previous audits.

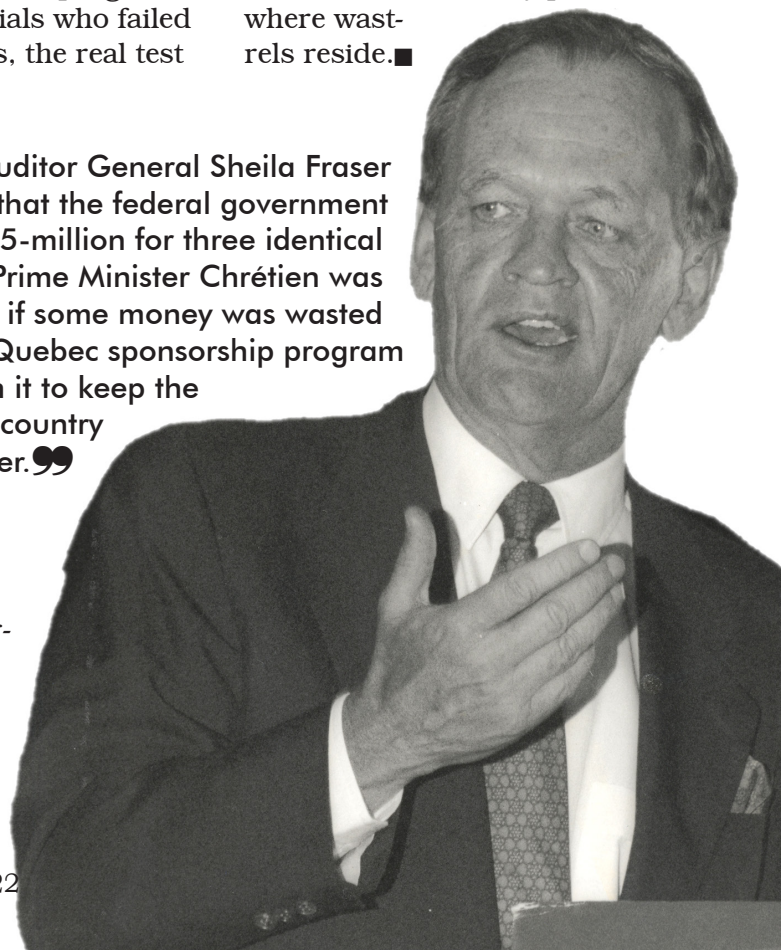
While the Martin government has certainly fulfilled the first step in restoring accountability in Ottawa, namely cancelling a bad program and firing officials who failed to do their jobs, the real test

with programs that give tax dollars away. Taking a long hard look at \$15 billion per year in federal transfer payments with an eye to eliminating any that are similar to the Quebec sponsorship program is an essential second step. Putting reasonable limits on the rest of what government does is the third step. If we stop asking civil servants to act as promoters of government and start asking them to serve taxpayers, then we stand to end a great deal of waste.

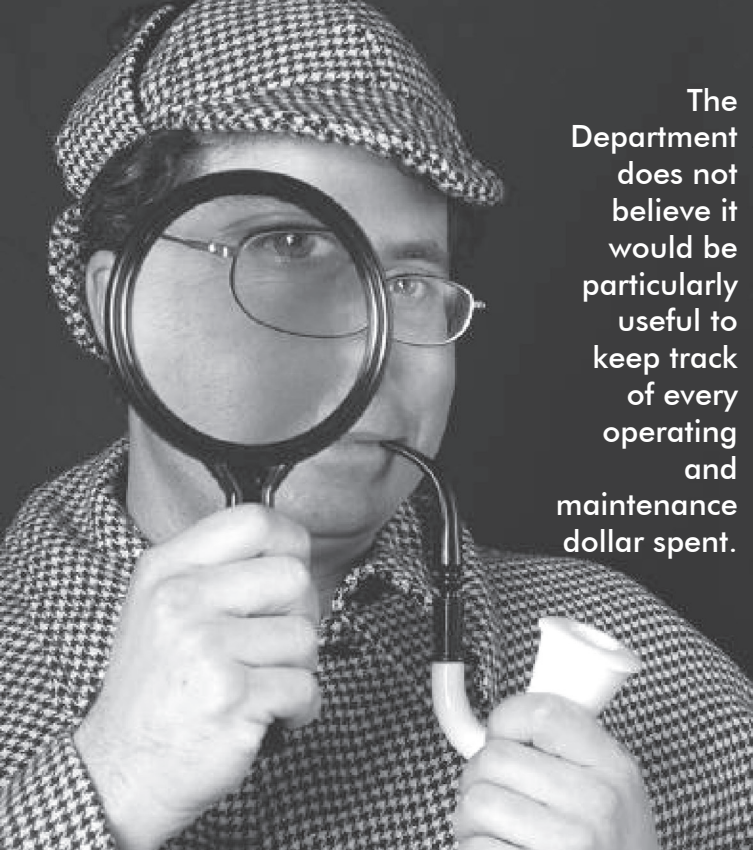
Given the record of politicians of all stripes, prospects for real change seem dim. The Martin government may be facing the most serious challenge in responding to the Quebec sponsorship fiasco, but taxpayers know that Ottawa is not the only place where wastrels reside. ■

**“When Auditor General Sheila Fraser first revealed that the federal government had paid \$1.5-million for three identical reports. Prime Minister Chrétien was unapologetic: if some money was wasted in the Quebec sponsorship program it was worth it to keep the country together.”**

comes in the subsequent steps. The surest way to not have these ethical lapses in the future is to do away







The Department does not believe it would be particularly useful to keep track of every operating and maintenance dollar spent.

## AUDITOR GENERAL'S REPORT

We were unable to find any such financial report for either of the agreement, nor were we able to find any process to capture financial information for management purposes. We noted that when the two implementation plans were signed the parties agreed there would be capital transfers of \$1.12 billion to the Inuit of Nunavut to be paid out between 1990 and 2007 and \$141 million to be paid out to the Gwich'in between 1992 and 2007. We also noted that there would be ongoing activity to carry out its federal responsibilities under claim. Yet there is no reporting on the costs of these activities.

The department responded to the AG's findings by stating, "The department does not believe it would be possible or particularly useful, to force federal departments to start keeping track of every operating and maintenance dollar spent on an agreement-by-agreement basis."

The department's response is outrageous. Billions of tax dollars have been spent on comprehensive land claims over the years and billions

more will be spent. If the department isn't keeping track of the costs, how are taxpayers to know if they are receiving value for their tax dollars?

If you think the department's annual performance reports provide useful details to taxpayers – think again.

The AG found performance reporting on the two land claim agreements to be useless in holding the federal government accountable. The reports contained no overview of outstanding obligations; no timelines for implementing performance targets; no information on performance against objectives; and no process to ensure accuracy of the reported information.

But fear not dear taxpayer, the department has declared it will endeavour to improve their reporting and financial tracking.

Too bad it took a report from the Auditor General for Indian Affairs to implement basic reporting and Accountability 101.■

### Indian Affairs fails to track

# \$1.2 billion

Once again the Auditor General of Canada released a damning report against the federal government. The most recent report was released on February 10th of this year. It blasts the Department of Indian and Northern Affairs which failed to track spending on land claims worth more than \$1.2 billion (yes folks, that's a 'b') and provide useful performance reports.

The AG's report examined the implementation of two land claim agreements, the Gwich'in people of the Northwest Territories and the Inuit of Nunavut. After the two land claim agreements received royal assent it was expected that the department would keep Parliament informed of its expenditures on the two claims.

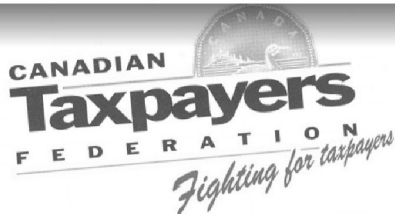
Amazingly, the AG discovered the department does not know the cost of implementing the individual land claim agreements. The department does not track its direct and overhead costs for implementing land claims.

Specifically, the AG's report states:



# CTF responds to BSE Crisis

Your Canadian Taxpayers Federation recognizes how important Canada's beef industry is to the economy and to the livelihood of many of our supporters. In an effort to contribute what we could to resolving this crisis the CTF conducted a survey of its rural and farm-based supporters in February. After compiling the results of 924 randomly selected respondents



TEL: (416) 203-0030  
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www.taxpayer.com

March 19, 2004

The Honourable Bob Speller, P.C., M.P.  
Minister of Agriculture and Agri-Food  
Sir John Carling Building  
9th Floor, 930 Carling Avenue  
Ottawa, ON, Canada  
K1A 0C5

Dear Minister,

The Canadian Taxpayers Federation (CTF) has surveyed its supporters regarding the Bovine Spongiform Encephalopathy (BSE) crisis and solutions to address it. Based on survey results received to date, three proposals in particular stand out:

1. Aggressive and continuous diplomatic efforts by the Prime Minister, Premiers, and Agriculture Ministers directed at the United States President, Senators, Congressmen, Agriculture Secretary and state Governors (favoured by 93 per cent of CTF supporters).
2. Initiate a national cattle/livestock testing program for pre-1997 stock (favoured by 66 per cent of CTF supporters).
3. Reduce or eliminate those taxes, which especially affect farms and farming (favoured by 65 per cent of CTF supporters).

Further, the following policy proposals were mentioned frequently by many CTF supporters:

- Ensure cattle feed ingredients do not contain any meat or other livestock by-products, nor should animal products be fed to chickens or pigs. Do not use animals to feed other animals.
- Test all animals aged 30 months or more for BSE.
- Create incentives to develop cost-effective BSE tests, especially an accurate test that can be done on live cattle prior to slaughter. Explore the feasibility of using blood tests to detect BSE. More effort should be made to develop simpler and quicker tests.

the following letter was sent to Agriculture Minister Bob Speller, Prime Minister Paul Martin and the three prairie premiers. To our many agri-business supporters, be assured that your CTF will press these priorities and at all times continue in the fight for lower taxes, less waste and accountable government.

Focus resources on eradicating BSE, rather than trying to manage economic problems resulting from BSE.

- Reject downer animals, or use them only for pet food. Do not use the cow's brain or spinal cord. Destroy all dangerous parts.
- Let cattle producers choose to test, or not to test, every animal, and label the meat accordingly. Consumers (whether Canadian, American or Japanese) can decide themselves whether to pay more for "certified BSE free" meat or "regular" meat (which is safe in any case). The quality of beef and the price of beef should be worked out between consumers and producers.
- The U.S. should also initiate a national cattle-testing program, as this is a North American market. Negotiate standard rules and practices to govern our single, integrated continental beef market.
- Negotiations with the U.S. and other countries should include re-opening the borders to Canadian sheep, buffalo and goats, which are not affected by BSE but subject to border closures.
- Canada should negotiate reasonable international standards for BSE testing with other countries, so that all countries can adhere to similar rules, regulations and practices.
- Industry – not taxpayers – should pay for testing, with the final cost being paid by consumers. But in light of the unscientific nature of the BSE scare consumers should also have the choice of buying cheaper meat from untested cattle.
- Register every newborn animal (by private registration) similar to registration for horses. Create a North American ID system for all cattle. Develop an ID system to track animals from birth to the packing plant, with the consumer – not taxpayers – paying the cost.

On behalf of CTF supporters, I hope you will consider these proposals, and to make it your top priority to re-open the border to Canadian cattle.

Yours truly,



John Williamson  
Federal Director  
Canadian Taxpayers Federation

New Prime Minister, New Finance Minister

# SAME OLE BUDGET

**F**ederal Finance Minister Ralph Goodale had one objective when he tabled the 2004 federal budget in the House of Commons on March 23: to make improving government accountability the major theme. Paul Martin's government has been badly damaged by revelations — made by the Auditor General — that hundreds of millions of dollars have been wasted, stolen, or paid to advertising firms with ties to the Liberal party for little or no work of value.

The Prime Minister hopes he can persuade Canadians he is capable of reforming Ottawa and spending tax money responsibly. Mr. Goodale's budget was an exercise in damage control to reassure voters in an election year.

On budget day, the finance minister announced an action-plan to restore spending checks-and-balances. He presented spending proposals he hoped taxpayers would compare to Jean Chrétien's last budget that saw spending increase by an eye-popping \$16-billion. In short, Mr. Goodale offered Canadians a balanced budget, almost \$13-billion in new spend-



by John Williamson  
Federal Director

ing, and no tax relief. How is that different from Mr. Chretien?

## Accountability?

As for accountability, Ottawa will take five steps. It will re-establish the Office of the Comptroller General of Canada; appoint comptrollers to approve new spending; improve the government's audit function; provide tools to track spending; introduce new

rules for Crown corporations; and allow the Auditor General to conduct five-year audits, which will be tabled in Parliament. Most taxpayers will agree each of these steps are important reforms that should be part of the oversight mechanisms of any responsible government.

But implementing them now is akin to closing the floodgates after tax dollars were misappropriated and poorly spent by the current government. Most taxpayers will want a very simple question answered: "Why didn't the Liberals put these basic accounting practices into place before now?" Until the government can adequately answer this question and ensure the people responsible for fleecing taxpayers are punished, Canadians will remain unimpressed with these reforms.

## No Tax Relief for Canadians Despite Growing Surpluses

Despite continued multi-billion dollar surpluses, the budget does not contain any tax relief for Canadians. Instead, spending will rise by 8.9 per cent over the next two years. Total program spending (this figure excludes public debt charges) will total \$143.4-billion in 2003/04, it will increase to \$147.9-billion in 2004/05, and jump to \$156.1-billion in 2005-06. In addition, estimated gross surplus figures will be \$5.5-billion this year, \$4.2-billion in the coming fiscal year, and \$6.6-billion in 2005/06.

**“For many years Canadians were told Paul Martin was a man with a vision and bold ideas, but the budget did not live up to these expectations.”**



## Federal Budget Surpluses

Fiscal Year (\$ Billion)	Revised Budget Surplus	New Spending Announcements	Remaining Surplus
<b>2003-2004<sup>P</sup></b>	\$5.5	\$3.6	\$1.9
<b>2004-2005<sup>P</sup></b>	4.2	2.2	4.0
<b>2005-2006<sup>P</sup></b>	6.6	2.5	4.1
<b>Total:</b>	16.3	8.3	10.0

P = 2004/05 Budget Projections

### Spending set to shoot up

The Martin budget fails the responsibility test because it does nothing to slow future spending and nothing to balance tax revenues with spending priorities. Rather than controlling the size of government, spending will continue to rise at a gallop under Mr. Martin. If we include the Chrétien budgets, which have Mr. Martin's fingerprints all over them, by 2005, spending will be up 42% over 1998 levels (the year Ottawa first balanced the budget).

There is nothing in the budget to demonstrate a willingness to control costs and prioritize spending, and it is disappointing that the budget is devoid of any broad-based tax relief. Ottawa is running multi-billion dollar surpluses and the Employment Insurance fund has a \$3-billion surplus this year yet this government is fixated on keeping as much money as possible in Ottawa.

### Some Positive News

Minister Goodale will reduce the debt by \$1.9-billion this year and the government has reduced \$52-billion in net debt over the past 7 years. But Ottawa is not any closer to implementing a legislated debt reduction schedule today than it was under Jean Chrétien. This is unacceptable. Debt servicing will chew up \$35.4-billion this year, an astonishing 20 cents of each dollar collected. Ottawa must set yearly debt reduction targets as was done with the deficit and make those targets the law.

The big surprise in Goodale's budget was the announcement to sell Ottawa's remaining 50-million shares of Petro-Canada. Petro-Canada was one of the thousands of decisions made by the Liberals that created Cana-

da's monstrous debt. Every penny that is earned from its sale should be dedicated to paying down the \$508-billion debt.

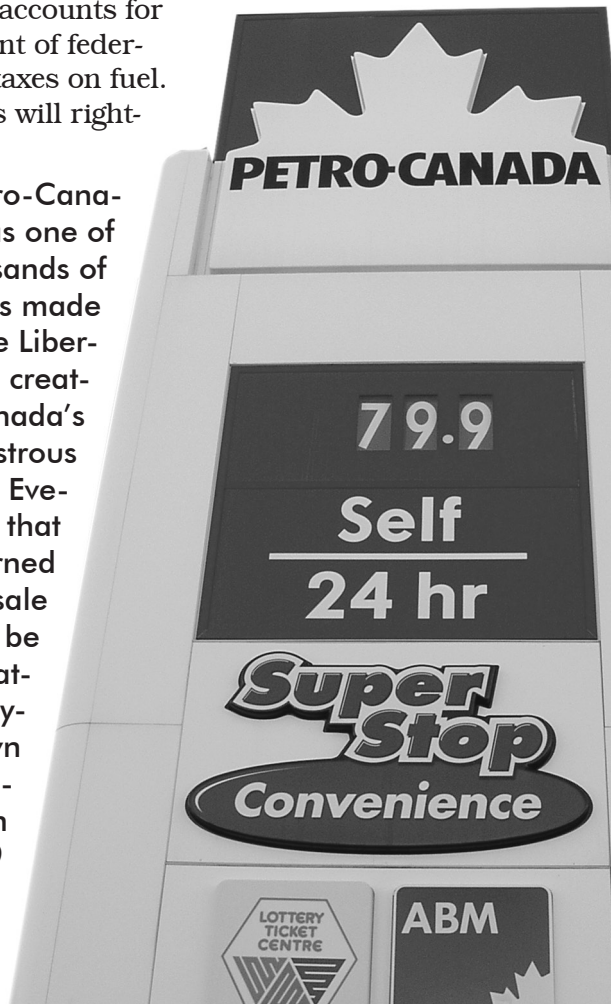
### Infrastructure Initiatives — The Cities Agenda

The 2004 budget will accelerate \$1-billion earmarked for municipal infrastructure spending. Rath-

er than spend the money over a decade the timeline will be five years. This money is on top of proposed legislation to exempt Canada's towns and cities from the goods and services tax, saving them \$580-million in 2004/05 and another \$605-million in 2005/06. But before local taxpayers break out the champagne, it should be noted the federal government collects \$5.3-billion in fuel excise taxes each year.

Despite a pledge to spend a little more on infrastructure, motorists are still short-changed. Spending on roads and infrastructure only accounts for six per cent of federal excise taxes on fuel. Taxpayers will right-

“Petro-Canada was one of the thousands of decisions made by the Liberals that created Canada's monstrous debt. Every penny that is earned from its sale should be dedicated to paying down the \$508-billion debt.”



## FEDERAL BUDGET 2004

“The 2004 budget will accelerate \$1-billion earmarked for municipal infrastructure spending ... the federal government collects \$5.3-billion in fuel excise taxes each year.”



### Federal debt is going down

Fiscal Year	Total Debt (\$ Billion)	Total Debt Servicing Costs (\$ Billion)	Debt Servicing Cost/day
2000-2001	524.6	43.6	\$119.4 million
2001-2002	517.5	39.7	\$108.6 million
2002-2003	510.6	37.3	\$102.2 million
2003-2004 P	508.7	35.8	\$ 98.1 million
2004-2005 P	505.7	35.4	\$ 97.0 million
2005-2006 P	502.7	35.7	\$ 97.8 million

P = 2004/05 Budget Projections

ly wonder what happened to Mr. Martin's campaign promise to allocate a share of gas tax revenues to Canadian cities and municipalities. The budget proposals represent a pittance of what Ottawa collects each year in gasoline taxes.

### So Much for Vision and Bold Ideas

For many years Canadians were told Paul Martin was a man with a vision and bold ideas, but the budget did not live up to these expectations. For one thing it is not possible to insert accountability and good management into a budget as such practices are either part of a government's culture or they are not. The culture in Ottawa needs to change so taxpayers — and their money — are respected.

The budget also disappoints in its spending plans. In the years ahead, Ottawa's tax revenues and budgetary surpluses will continue to grow, guaranteeing Mr. Martin the ability to spend even more. Surpluses — which amount to over-taxation by Ottawa — will total more than \$16-billion in the next three years. The government has a decade-long history of low-balling surpluses to diminish Canadians' expectation of tax relief. Today, "prudence" is used as an excuse to fudge the revenue and surplus numbers to avoid providing Canadians with lower taxes.

It is not believable that the government cannot cut taxes. That is why your CTF will continue to press for Ottawa to root out waste at all levels and for Ottawa to provide hardworking Canadians with some tax relief. It is an election year and Paul Martin might start listening to taxpayers. ■

### Sow a penny

If his political donation had anything to do with it, Jim Stanford should consider it a wise investment. Stanford is chairman of the board of directors of Sustainable Development Technology Canada (SDTC), an arms length government agency.

According to its website, SDTC functions as a catalyst (a new bureaucratic term describing government handouts) for developing new technological solutions "which address climate change and air quality." Yes, it's another Kyoto boondoggle.

Last year, Stanford gave \$25,000 to Martin's leadership fund. This year, when Ottawa decided to sell its \$2 billion dollar stake in Petro-Canada, SDTC was the only environmental agency to receive funds — a whopping \$200 million — out of the proceeds of the planned sale.

Though Stanford denies that the donation had anything to do with the funding, his deep connections to the Liberal Party may have. Prior to this, Stanford worked for Ralph Goodale to restructure the Canadian Wheat Board and he served as president and CEO of Petro-Canada from 1993 to 2000. Stanford became head of SDTC when the government created the agency in 2001.

Conservative MP John Williams who chairs the House of Commons public accounts committee said, "It just seems to be that wherever we turn there is nepotism and Liberal cronyism." ■

Ottawa Citizen

# MANITOBA'S GAS TAX ACCOUNTABILITY ACT

## A model for the rest of Canada

by Adrienne Batra

**T**he Manitoba government recently tabled legislation that could finally usher in a taxpayer-friendly approach to how our gas tax dollars are spent. It's a model that other provinces and the federal government need to adopt if they are serious about addressing municipal infrastructure deficits.

Manitoba's Gas Tax Accountability Act, to be debated and likely passed this spring, establishes a new set of rules for the hundreds of millions in fuel tax dollars collected in the province. The Act requires the government to annually report to the legislature the amount of fuel tax dollars collected in the past year, and the total amount spent on road-related infrastructure. It further requires the government to spend at least what it collects from fuel taxes on highways and roads in all future years.

As prescribed under the new legislation, the minister of finance (within six months of the end of the fiscal year) will be required to prepare a report that outlines the following:

1. The government's tax revenue for the fiscal year under The Gasoline Tax Act and The Motive Fuel Tax Act, other than the tax on aircraft gasoline and the tax on motive fuel used for the operation of railway locomotives.
2. The fuel tax expenditure is the total of the expenditures for the fiscal year for:
  - The construction, operation and maintenance of transportation infrastructure;
  - Assistance to municipalities for transportation systems and infrastructure for motor vehicles; and
  - The amount by which the fuel tax revenue for the fiscal year and all previous fiscal years beginning after 2003 exceeds, or falls short of, the fuel tax expenditure for those years.

Perhaps the most significant part of this legislation is that it lays the groundwork for a much-anticipated "new deal" for cities long promised

by Prime Minister Paul Martin.

Adopting a long-held Canadian Taxpayers Federation (CTF) position, the prime minister is publicly musing about sharing a portion of the federal fuel tax revenues with municipalities. It's about time.

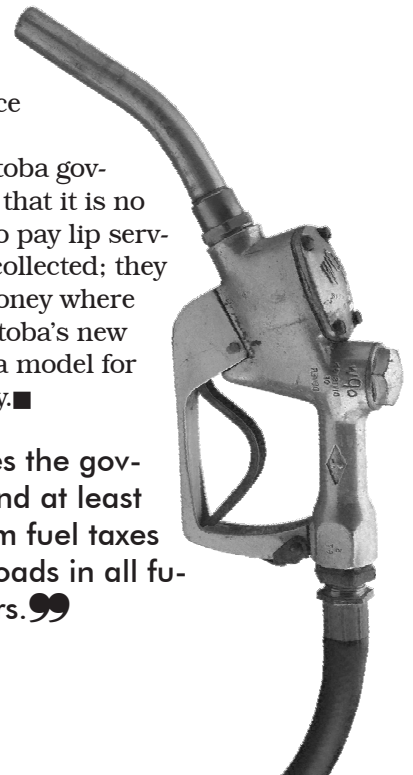
The manner in which Ottawa spends our fuel tax money desperately needs reform. Last year the feds collected \$4.8 billion in gas taxes, but only transferred \$119 million to the provinces for highway construction.

As part of our annual Gas Tax Honesty Campaign the CTF has put forward a proposal called the Municipal Roadway Trust (MRT) that would return half of all federal gas tax revenues to Canada's municipalities; the other half would be returned to motorists in the form of lower fuel taxes. Adoption of the MRT would mean steady, predictable, sustained support for our communities and go a long way to address the growing infrastructure deficits we're accumulating.

The Manitoba legislation however, does fall short on a few counts. For example, what will the split be between provincial spending on roads versus assistance to municipalities? What will be the basis for providing municipalities with funds? Portion of GDP? Per capita? The CTF's MRT could provide some guidance here.

Kudos to the Manitoba government for realizing that it is no longer good enough to pay lip service for the fuel taxes collected; they will finally put our money where their mouth is. Manitoba's new fuel tax legislation is a model for the rest of the country.■

“The Act requires the government to ... spend at least what it collects from fuel taxes on highways and roads in all future years.”





# Indians Are Not Different

**R**emember Oka, Burnt Church and Kanestaake?

What do these have in common? Besides the association with violence, these communities demonstrate that tension and hostility will ultimately result when a government treats its citizens differently based on race.

In 1990, a police officer was killed during a violent dispute in Oka, Que. The clash between Canadians was over a land claim. Land claims in Canada are not well understood, and it is obvious why.

For example, some Native Canadian lead-

ers claim not to be Canadian and therefore, wish to negotiate treaties with Ottawa on a country-to-country basis. Yet these same individuals will use the Canadian Constitution as a tool in their negotiations. By default, wouldn't using the Canadian Constitution make you Canadian, and if so why are Canadians signing treaties with other Canadians? Doesn't the Charter of Rights guarantee equality for all Canadians?

In Burnt Church, NB, in 2000, a dispute

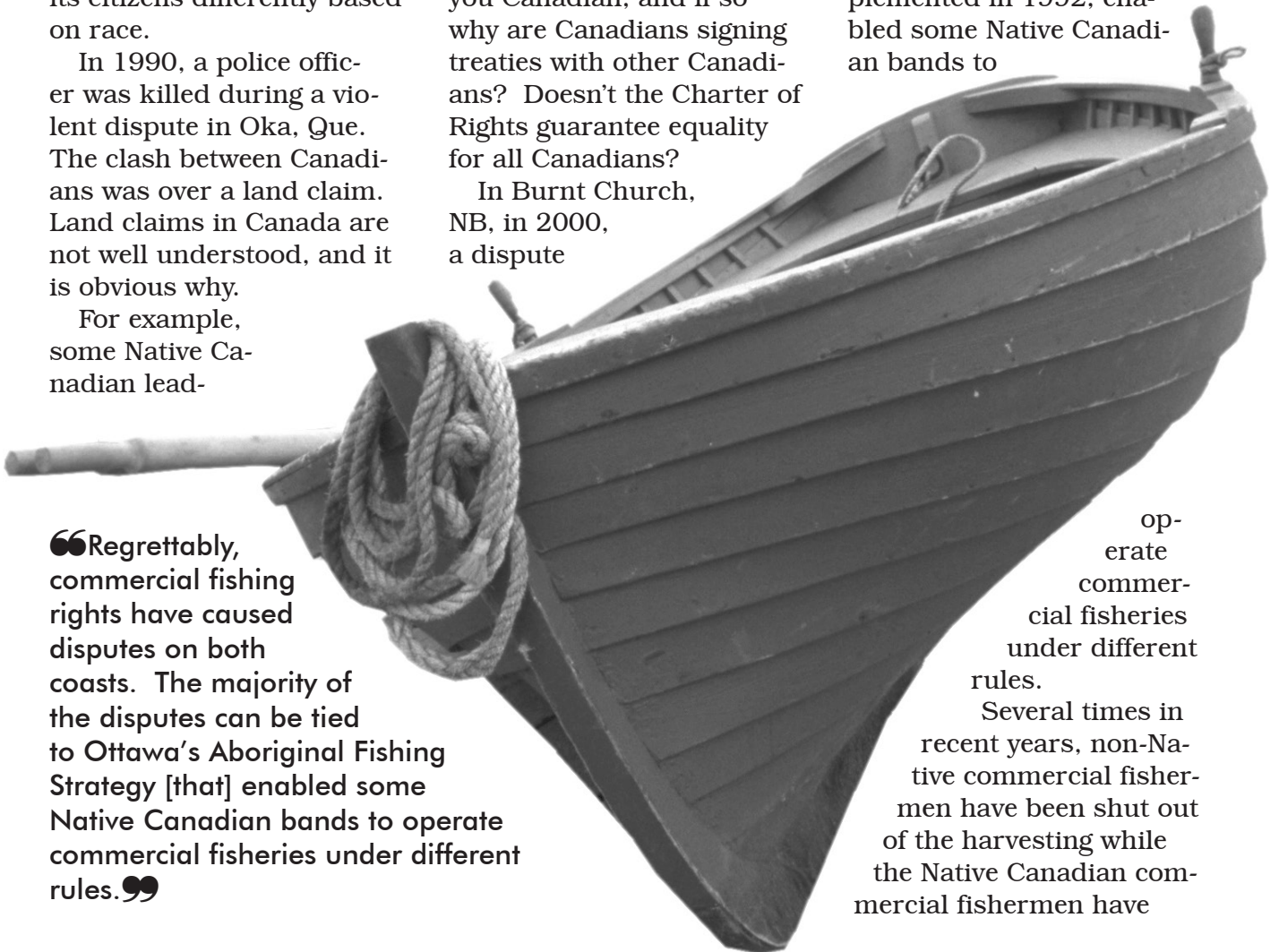
arose over the validity of Native Canadian commercial fishing rights. Regrettably, commercial fishing rights have caused disputes on both coasts.

The majority of the disputes can be tied to Ottawa's Aboriginal Fishing Strategy. The policy, implemented in 1992, enabled some Native Canadian bands to

“Regrettably, commercial fishing rights have caused disputes on both coasts. The majority of the disputes can be tied to Ottawa's Aboriginal Fishing Strategy [that] enabled some Native Canadian bands to operate commercial fisheries under different rules.”

operate commercial fisheries under different rules.

Several times in recent years, non-Native commercial fishermen have been shut out of the harvesting while the Native Canadian commercial fishermen have



been allowed to fish. Once again, a federal policy to treat Canadians differently has led to protests, and even violence.

More recently, Canadians witnessed violence erupt in the Native Canadian community of Kanesatake, Que. When the democratically elected leader, Grand Chief Gabriel unveiled a policy to get tough on crime, this drew the ire and aggression of a few local hooligans. As a result Grand Chief Gabriel was forced to flee the community and his house was torched.

What do you think would happen if a mayor or premier were forced out of town the way Grand Chief Gabriel was forced out of his community?

But this is Canada, and in Canada, the federal government treats Native Canadians and Native Canadian communities differently.

It will be interesting for Canadians to see the response



by Tanis Fiss  
Centre for Aboriginal  
Policy Change  
Director

of the federal government to current allegations of an attempt, by opponents of Grand Chief Gabriel, to change the electoral code of Kanesatake to limit the number of band members who can vote in their next election.

The federal government had a golden opportunity with the introduction of the First Nations Governance Act to establish electoral codes in Native Canadian communities that could not be manipulated. But this bill died with Parliament's

fall session, and Prime Minister Martin does not appear to be interested in resurrecting it.

The examples discussed are only three situations which illustrate that treating Canadians differently based on race is – simply put – wrong. Yet Ottawa continues to produce scores of laws and policies that treat Native Canadians differently from other Canadians.

It is time to end the madness. Canadians can only hope Paul Martin will realize that to treat a country's citizens differently based on race opens the door to division, tension and confrontation. ■

A black and white photograph of a young child with dark hair, wearing a light-colored dress with a bow, sitting at a desk and looking intently at a large computer monitor. The background shows a bookshelf filled with books and framed pictures. Overlaid on the image is the text "Have you visited our website recently?" in a large, bold, sans-serif font at the top, and the website address "www taxpayer.com" in a similar font at the bottom.

Have you visited our  
website recently?

[www taxpayer.com](http://www taxpayer.com)

## THE TAXPAYER

by John Carpay

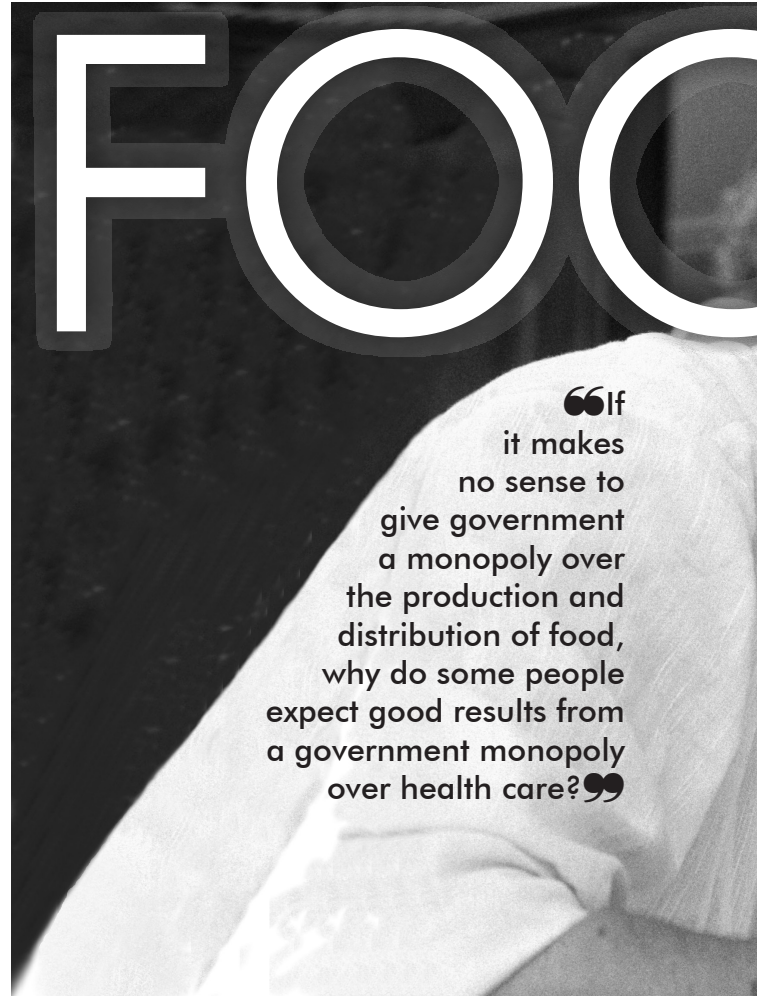
**W**e are doomed to pay high taxes forever, unless and until governments end their monopoly over the delivery of health care services.

Some say that governments spend too little on health care; others say too much. But the real problem is that Canadians themselves don't have much choice about how much – or how little – of their own money they wish to spend on health care. Depending on which province you live in, health care eats up between one third and one half of provincial tax revenues. But taxpayers have no direct say as to what portion of the provincial budget should go to health care. Nor do Canadians have a say as to which services are paid for – or not paid for – by their tax dollars. Nor can citizens choose how their “health care tax dollars” are allocated. All of these decisions are made by bureaucrats and politicians.

If the production and sale of food in Canada were managed like health care, governments would have a monopoly on “food-care.” Politicians would declare that all Canadians, regardless of income, have a fundamental right to free food. After all, we need food even more than medicine, because without food a person will surely perish, whereas without medical care a person might live for weeks or months or even years.

If food were managed like health care, everyone would be given a “food-card,” with which they could walk into any grocery store or restaurant, taking what they need, for free. People would take steaks before they took ground beef, thereby creating a permanent shortage of good steaks. Highly paid bureaucrats would be assigned the impossible task of deciding how billions of tax dollars should be spent on foodcare. Possessing both intelligence and sincerity, these bureaucrats would do their very best to spend our foodcare dollars wisely and efficiently. Nevertheless, demand for new, different and better foods would always exceed supply, creating chronic shortages and long waiting lists.

If food were managed like health care, access to free food would be considered the defining feature of what it means to be Canadian. It would be blasphemous to speak of food as a commodity, or to refer to foodcare



users as consumers. It would be “obvious” that the private sector could not be trusted to do a good job with something as important as food. Those who wanted to introduce choice and accountability into the food industry through market forces would be denounced as “trying to profit from someone else’s hunger.” People working in the food industry – on farms, in factories, and in stores – would be well-paid members of powerful public sector unions.

If food were managed like health care, Canadians would be prevented from spending their own money on better food; this would



be considered as unfair to lower-income people who had to rely on the public food system. Nevertheless, the wealthiest Canadians would always have the choice of going to the U.S. or elsewhere to spend their money

monopoly over the production and distribution of food, why do some people expect good results from a government monopoly over health care?

Many countries have parallel public and



on the food of their choosing. In spite of this fact, politicians would still pretend that two-tier foodcare did not exist.

If food were managed like health care, provinces who wanted to innovate with their public food service systems would be prevented from doing so by the Canada Food Act. The Friends of Foodcare would complain of “chronic underfunding.” Even after spending on foodcare had doubled, some politicians would still claim that foodcare would work well if only more tax dollars were spent on it.

If it makes no sense to give government a

private health care systems. Health care services can be paid for by tax dollars but provided by private companies; this is already taking place in Canada today. We have a lot to learn about health care from Germany, Australia, the U.K., Singapore, the Netherlands, and other countries. It's dishonest to pretend that the only choice is between Canada's bureaucratic monopoly and health care in the U.S.

Finding taxpayer-friendly ways to improve health care is neither easy nor simple. But it starts with a willingness to think outside the status quo.■

# The truth about healthcare spending

**Peter from Saskatoon writes: “Is it true that the Canadian government spends less per capita on health care than the US government? What are the actual figures?”**

For the last decade, Canadian politicians have shoved vacuous platitudes down the throats of taxpayers and health care consumers. How many times have you heard any one of the following? Canadians have the best health care in the world; Canada spends more on health care than the US; Canada provides free health care to its citizens; and Americans must show their credit card before receiving any services.

### The Best in the World?

Canadians who waited in line to see a doctor know that Canada's health care system is far from perfect. Using a complex ranking system, the World Health Organization (WHO) ranked Canada's health system 30th out of 196 countries surveyed. Most of Europe ranked better than Canada, as did Singapore.

Singapore has individual private medical savings accounts, while Sweden allows for co-payments and other private options.

When it comes to life expectancy, arguably the number one comment on a country's health care system, Canada ranks better than the US with a life expectancy of 72 years, but lags behind 10 other countries including Japan where life expectancy is three years longer.

### Tops in Spending?

So what about health care spending? In terms of total health care spending (public and private) in relation to the size of each country's economy, the following health spending to GDP ratios were reported by the Organization for Economic Co-operation and Development (OECD) in 2001:

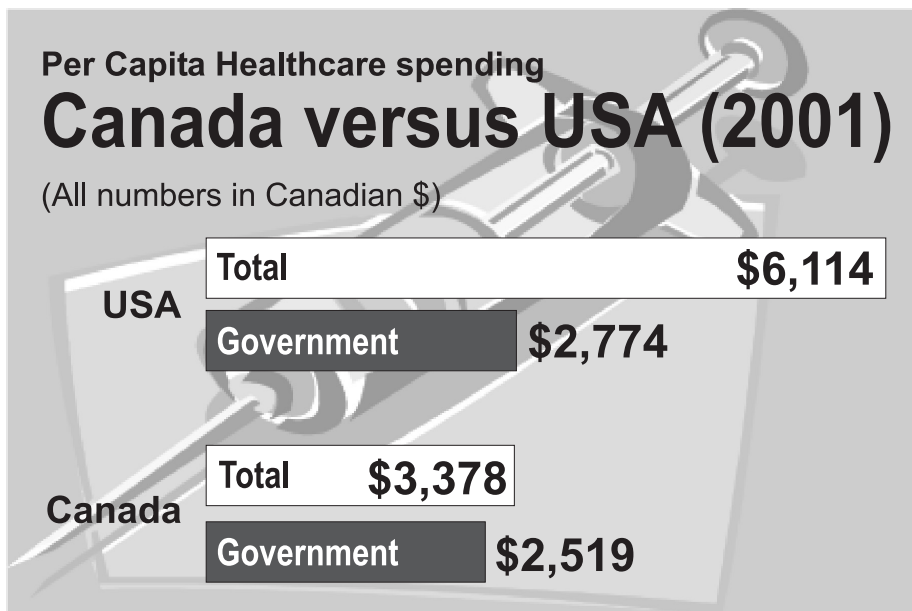
- United States 13.9%
- Germany 10.7%
- Canada 9.7%
- France 9.5%
- Sweden 8.7%
- Japan 7.6%
- United Kingdom 7.6%

Out of the 29 members of the OECD, Canada ranks fourth highest when it comes to health care spending. But when contrasted with our neighbours to the south, we spend much less.

Worst still, when one matches spending with outcomes, there is no clear relationship between more spending and better outcomes. Japan has the highest life expectancy, but ranks in the bottom half of the OECD when it comes to spending. And

## Per Capita Healthcare spending Canada versus USA (2001)

(All numbers in Canadian \$)





# You asked for it...

even though the US is the clear winner in health care spending, its ranking in the WHO survey is 37th while life expectancy is only 69 years. So as Saskatchewan's Fyke Commission on Health care observed: good quality health care often costs less than poor health care.



by Bruce Winchester  
National Research Director

So, the short answer to Peter's question is that the US governments spend \$255 more per capita on health care than Canadian governments.

## Reality of US Health Coverage

Is it the case that an American must present a credit card prior to receiving health care? The answer is no. In the US it is against the law

to refuse emergency medical care to anyone. But what about the millions of people we often hear about who do not have health insurance in the US? A recent study found that in 2001 26 per cent of the US population lacked insurance sometime during that year, but of those, only 13 per cent were without health insurance all year long (many of them voluntarily choosing not to carry coverage). Those who were without health insurance, that 13 per cent, chose not to be insured but if they fell into one of three categories of eligibility for government funded health care, they would be given health care at no cost if they took ill.

## USA and Canada Compared

Let's start with a comparison of what each country's governments collectively spends on health care:

Total US government spending on health care 2001:	\$594.5 billion US dollars
As a percentage of total government spending:	17.3%
As a percentage of GDP:	6.0%

Total Canadian government spending on health care 2001:	\$78.3 billion CD dollars
As a percentage of total government spending:	17.1%
As a percentage of GDP:	7.3%

The remaining money for health care in the US comes from two sources: private insurance funds, \$485 billion (US\$) in total, plus another \$195 (US\$) billion is paid directly by patients. (No doubt that figure includes many Canadian patients tired of waiting in line in Canada. The grand total for US health spending in 2001 clocked in at \$1,310 (US\$) billion. In Canada, total health spending was \$105.6 (CD\$) billion, with \$27 billion coming from private payments.

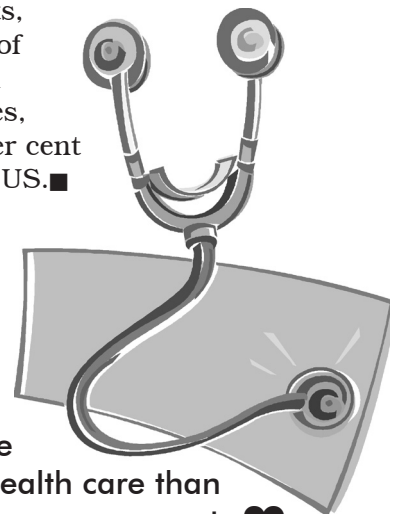
## Per Capita Health Care Spending

On a per capita basis, Canadians spent \$3,378 on health care, while in the US spending per capita was \$6,114 (\$4,587 US). But when government spending in the two countries is isolated the numbers are much closer. Canadian governments ban many provisions of private health services forcing public resources to be rationed.

## Measuring Healthcare Systems

Canada has 229 doctors for every 100,000 Canadians, but in the US, they have 22 per cent more. When it comes to nurses there are 897 for every 100,000 Canadians, but in the US, they have more, some 10 per cent more. Strangely, there are fewer hospital beds per 100,000 people in the US – 10 per cent fewer. In the case of dentists, which are examples of purely private health care in both countries, there are only two per cent more dentists in the US. ■

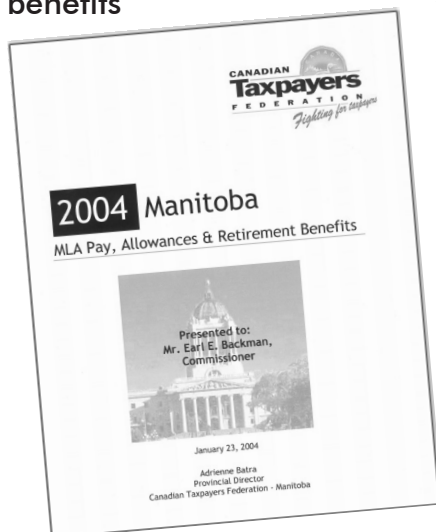
“So, the short answer to Peter's question is that the US governments spend \$255 more per capita on health care than Canadian governments.”



# Around *the* CTF

Each month CTF offices in five provinces and Ottawa handle hundreds of media interviews and inquiries, hold press conferences, publish reports, make presentations to government and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. CTF representatives also speak at functions and organize major campaigns nationally and in the provinces that lead to public policy change. The following highlights activities for the month of January and February 2004:

**Director Adrienne Batra presents four recommendations to the province's commissioner for MLA pay and benefits**



## JANUARY

**FEDERAL:** The CTF announces that Ontario director John Williamson will be moving to Ottawa to fill the federal director's post. The post was vacated by Walter Robinson in December after having served six years.

**FEDERAL/ONTARIO:** The CTF leads criticism of Ontario and federal taxpayers fronting \$1-million to relocate the cast and crew of *Late Night with Conan O'Brien* for tapings in Toronto. Proponents suggest the show will provide \$100-million in media benefits. Our point exactly!

**SASK:** The province's Commission on K-12 School Financing releases its report accepting a CTF recommendation to dramatically reduce school property taxes. However, director David MacLean takes issue with the report's further recommendation of increasing the province's sales tax to offset any revenue loss.

**MANITOBA:** Director Adrienne Batra presents four recommendations to the province's commissioner for MLA pay and benefits which include the principles of simplicity, transparency, accountability and fairness. Based on pre-

viously adopted CTF recommendations Manitoba has one of the best compensation arrangements in the country.

**SASK:** The CTF launches a province-wide "No Tax Hikes!" campaign amid wide speculation of tax hikes to stem a ballooning deficit. The campaign includes billboards and radio advertising aimed at gathering signatures on a petition to be delivered before the provincial budget.

**FEDERAL:** The CTF issues a statement demanding Prime Minister Paul Martin press Canada Steamship Lines to immediately pay back \$10.3-million in government subsidies the company received, ensure a \$4.9-million loan is repaid to the federal government and come clean on any corporate welfare received by his family's shipping empire while he was in cabinet.

**ALBERTA:** The CTF issues a statement calling for the province and City of Edmonton to settle a costly and time-consuming court case involving alleged environmental violations by the City of Edmonton. Director John Carpay reminds politicians at both levels that

# Around *the* CTF

there is only one taxpayer picking up the tab for this dispute.

## FEBRUARY

**ONTARIO:** The CTF announces the appointment of Tasha Kheiriddin as director for Ontario taking over from John Williamson. Amid rumours of a major deficit and potential tax hike, Tasha hits the ground running with a petition campaign demanding premier Dalton McGuinty honour the CTF pledge that he signed during the recent election campaign to "not raise or implement any new taxes without the explicit consent of Ontario voters, and not run deficits."

**FEDERAL:** The CTF reacts unfavourably to Paul Martin's first Throne Speech as prime minister which offers up plenty of new spending with no commitment to tax relief or paying down the government's \$510-billion federal debt.

**ALBERTA:** Director John Carpay presents Finance Minister Pat Nelson with pre-budget recommendations including abolition of the health care premium tax and car insurance tax, spending control legislation and a reduction in the size of cabinet.

**FEDERAL:** The CTF reacts angrily to findings by the Auditor General that show tens of millions went missing in the government's much maligned sponsorship program. The CTF repeats its call for meaningful whistleblower legislation.

**CAPC:** The Auditor General finds the Department of Indian Affairs failed to track \$1.2-billion in spending for two land claims in the North. In a statement, director Tanis Fiss says the finding is endemic of the lack of transparency and accountability in department spending.

**MANITOBA:** Director Adrienne Batra presents pre-budget recommendations to Finance Minister Greg Selinger which include recommendations to balance the budget, freeze departmental spending, eliminate bracket creep taxation and provide school property tax relief.

**FEDERAL:** In the wake of revelations that Governor General Adrienne Clarkson spent \$5.3-million touring 81 guests and staff through northern Europe, the CTF successfully demands cancellation of a second planned trip and a review of Ms. Clarkson's expenses since being appointed in 1999.



**CTF announces appointment of Tasha Kheiriddin as Ontario Provincial Director.**

Activity Report September and October 2007		
Office	Media Interviews	Events/ Speeches/ Letters/Releases/ Reports/Meetings/Etc.
<b>Ottawa</b>	<b>255</b>	<b>34</b>
<b>BC</b>	<b>103</b>	<b>27</b>
<b>Alberta</b>	<b>101</b>	<b>36</b>
<b>Ontario</b>	<b>99</b>	<b>29</b>
<b>Manitoba</b>	<b>80</b>	<b>15</b>
<b>Sask*</b>	<b>18</b>	<b>14</b>
<b>Total</b>	<b>656</b>	<b>155</b>

\* New director in place October 15th.



## It's the total debt that matters not just operating accounts

by Mark Milke

**I**t's great the B.C. Liberals will balance the budget's operating accounts this coming year.

But before we do cartwheels, both Liberals and New Democrats deserve a thwack for their respective claims over the years.

First, the Liberals. Back in 1998, then finance critic Gary Collins argued that what counted for budgets was the bottom line, not just the operating balance.

In 1998, the government claimed it had only a \$95 million deficit. Collins noted: "What is the bottom line? To find this, all you have to do is ignore the minister's speech, ignore all the fudged numbers, ignore the glossy brochures and look at page 100 of the Estimates Report. There it is in black and white. The total debt at the end of this year will be \$31.2 billion. That's an increase of \$1.25 billion over last year."

By his own standard, the new budget will see total debt rise to an estimated \$39.4 billion next year from \$37.8 billion in the budget year now ending, or an additional \$1.6 billion.

Yes, I know. Because of accounting changes, e.g., the inclusion of universities and school districts etc., the debt picture is

more complicated. But by Collins' standard, the

budget documents note the provincial debt will hit \$40.6 billion in 2006 "mainly due to capital spending."

I'm not suggesting there's fudge here, only that Collins was correct in 1998 to note the importance of overall debt, not just the operating balance.

But before New Democrats get too excited, they also deserve a smackdown. They always bleat that the debt increase in the past three years was due to tax cuts, as if there are not two sides to a ledger. They also try to remind people they produced two balanced budgets just before they were booted out of office.

The NDP's two balanced budgets were due to skyrocketing energy prices that transferred gobs of extra cash to the treasury (unlike Alberta, say in the mid-1990s, which balanced a budget when oil prices hit a low of \$12 per barrel.) New Democrats are not born-again fiscally responsible money managers, so please, spare me the singing.

Also, the budget they handed to the Liberals in 2001 was genetically programmed to explode into deficit territory precisely because of all the built-in spending. Even without tax cuts, B.C.'s debt would have

increased because of the spending, which the tax-happy types always say isn't enough.

So, if they had their way over the past three years, and the Liberals had spent even more, the deficits incurred, whether using the taxpayer-supported or total measures, would have been even higher. Both sides are spinning. ■

### Provincial Debt Summary\*

Forecast debt at March 31	2003/04 updated forecast	Budget estimate	Plan 2005/06	Plan 2006/07
Taxpayer-supported debt	30.580	32.172	32.816	32.816
Self-supported debt	7.261	7.180	7.602	7.650
Forecast allowance	0	.100	.100	.100
Total Provincial Debt	37.841	39.452	40.518	40.566

\*In billions of dollars -- Source: B.C. Budget 2004, Summary: Budget and Fiscal Plan 2004/05-2006/07

# If you could make the rules

If you could make rules for politicians, what would they be?

The Citizens Assembly on Electoral Reform is drafting the rules by which politicians get to rule us. They want to hear from you.

During May and June at forty-nine public hearings held throughout the province the citizens, voters, and taxpayers can help draft rules for politicians.

This is unheard of. Never in our history have the people been asked to make rules for our rulers.

After hearing from the people the Citizens Assembly will decide whether to recommend a change to a different voting system, and if so, that recommendation will go before all the people in a referendum on May 17, 2005.

Now it is your turn. Perhaps you gave up voting years ago, you feel voting doesn't change anything, government doesn't listen no matter who gets elected, or it's no good voting for your party in your riding because your party doesn't have a chance, or because your party will win anyway. If such frustration is your experience you must speak up now and attend a public hearing near you. All British Columbians are invited to make a presen-



tation in writing, or orally, or both.

In preparing your personal presentation consider the following:

- Under the current voting system parties win a majority of the seats often on less than fifty percent of the vote. Do you find that acceptable?
  - Under the current system, voters often support a candidate or party that is not their first choice for fear of wasting their vote. If that could be changed should it be changed?
  - Making the voting system more proportional will likely lead to coalition government. Do you approve of that?
  - Voting systems can result in more or less control by political parties over candidates and MLAs. Do you feel party discipline should be more or less than what it is now?
  - The power of MLAs to hold cabinet accountable should be increased or not?
- Not all of us are expert about voting systems, well, you don't need to be. All of us

can and should contribute to setting the goals we expect from our voting system. That is what the public hearings are for.

To register to make your presentation call toll free 1-866-667-1232, or visit [www.citizensassembly.bc.ca](http://www.citizensassembly.bc.ca). ■

## Public hearings, dates and locations for Citizens' Assembly on Electoral reform

Location	Date
Vancouver	May 3
Richmond	May 4
Burnaby	May 5
New Westminster	May 6
Surrey	May 8
Valemount	May 8
Grand Forks	May 10
Prince George	May 10
Quesnel	May 11
Fort Nelson	May 11
Nelson	May 11
Fort St. John	May 12
Dawson Creek	May 13
Powell River	May 13
Sidney/Victoria	May 13
Chilliwack	May 18
Maple Ridge	May 19
Langley	May 20
Port McNeil	May 23
Courtney/Comox	May 26
Nanaimo	May 27
Ucluelet	May 29
Vancouver	May 29
Surrey	May 31
Coquitlam	June 1
North Vancouver	June 2
Whistler	June 3
Abbotsford	June 5
Sechelt	June 5
Smithers	June 7
Duncan	June 8
Terrace	June 8
Port Alberni	June 9
Prince Rupert	June 9

## NANNY STATE

### Alberta's Nanny State loves you and wants to help you

Gone are the days when government was focused on doing things which cannot be accomplished by individuals, families, businesses and voluntary associations. Things like roads, bridges, courts, national defense, policing, fire fighting, and the like.

Today's governments are determined to guide and protect us from ourselves, "encourage" us to behave the right way, and lead us all into truth. Here is a small sampling of what Alberta's Nanny State is doing with your tax dollars:

- \$15,000 to produce an Aboriginal women's business planning guide called "Journey to Success"
- \$500,000 given to "established and emerging Alberta artists" to travel to Ottawa in April of 2005 to present "all genres of music, theatre, dance, literary, visual and culinary arts."
- \$30,000 given to the Alberta Magazine Publishers Association to celebrate "Read Alberta Magazines Month"
- Promotion of a "Christmas Envirotree" made of a broom handle, wire tomato frame and aluminium foil, courtesy of Alberta's Environment Ministry. The Ministry recommends giving "green" gifts like public transit passes, bird feeders, bicycles and second-hand toys, skis, CDs and videos. The ministry also warns us that entertaining "holiday guests" should be done without using disposable dishes!
- \$25,593 to the Sri Lanka-Canada Friendship Association of Edmonton.
- Promotion of the United Nations "children's rights" agenda by recognizing "National Child Day" and producing books, videos and recordings to introduce children to "diversity," courtesy of the Ministry of Community Development.
- \$5,400 for "diversity training" for students and staff at the Alberta College of Art & Design to help them understand "social and cultural inequities."
- \$10,000 to help members of the Association Canadienne-Francaise de l'Alberta "learn about the multicultural nature of the French speaking community in Edmonton."
- \$37,600 to the Central Alberta Diversity Association to provide "diversity educational sessions" and "assist organizations and schools in the region with diversity issues."
- \$30,000 to the Grande Prairie & District Multicultural Association to undertake "an assessment of community concerns and priorities in relation to multicultural issues."
- \$33,970 to the Institute for the Advancement of Aboriginal Women.
- \$6,550 to the Southeastern Alberta Racial and Community Harmony Society for a series of workshops on "human rights issues" in which young people will use their "diversity skills."
- \$38,975 to the Young Women's Christian Association of Edmonton to "address barriers preventing women from becoming more involved in the political process" and promote "systemic change within the political system."
- \$6.3 million per year to sports and recreational organizations, including ad campaigns to persuade couch potatoes to become more active.
- \$17,540 for a "SummerActive" campaign, courtesy of the Community Development Ministry, including a brochure on



The Nanny State promises to subsidize the purchase of beach balls — will there be one in every home?



"How to Choose a Quality Fitness Facility" which tells us that "not all fitness centres are the same" and "only a quality fitness centre will offer you a safe and lifelong fitness program." This spending includes \$6,500 for beach balls, floppy floppy, golf tees, squeeze balls, water bottles, and \$5,000 for "research, message development and graphic design."

- \$625,000 given to FunTeam Alberta, Go Girl, the Indigenous Sport Council and other groups to help women, Aboriginals and other "under-represented groups" to "experience the benefits of participating in sports."
- \$45 million per year given to the horse-racing industry.
- \$100,000 on "Help Make a Difference" television ads to "create awareness about the benefits of intercultural understanding" and "to encourage Albertans to contribute to building a fair and respectful society."
- Recognition of "Grandparents Day" to "build awareness among children of the importance of elders and seniors." In case we didn't know, Seniors Minister Stan Woloshyn reminds us that "grandparents have the honour of helping to shape lives and share love that knows no bounds."
- Recognition of International Women's Day by the Community Development Ministry, which posted a schedule on its web site to promote "The Vagina Monologues," playing in Red Deer, Edmonton, and Jasper, complete with a web link to the "Vagina Warriors" web site. The Min-

istry's web site also posted information on an event open to women only and another event including belly dancers. Minister Gene Zwozdesky asks all Albertans to join him "in reminding the women in their lives about how their contributions have made a difference."

Disagree with any of this? Call your MLA, or write to Premier Klein.■

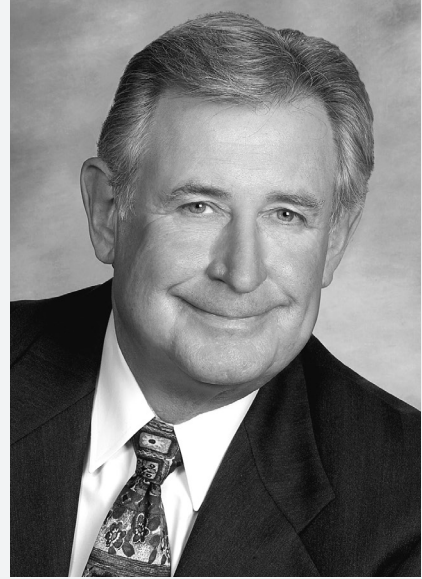
**Are you a 'whiner' for wanting lower taxes?**



**Finance Minister Pat Nelson thinks so**

On February 5, 2004, on province-wide radio, Dave Rutherford told Finance Minister Pat Nelson that health care premiums are "a tax that Albertans would love to see gone" and asked whether this was "on the radar."

In response, Pat Nelson declared that Ralph Klein's government is the most open and transparent in this country, and went on to say, "I'm sure you are going to have John Carpay on soon and he's going to be crowing about and whining about tax cuts."■



## Taxpayers' money NOT wasted on ads

**Premier Klein heeds CTF request -- a \$230,000 victory for taxpayers**

Last year Premier Klein's government spent \$230,000 of taxpayers' money on TV and newspaper ads to promote the provincial budget. In February of 2004, in response to an inquiry by your CTF, the government said it would spend money again this year, to promote Budget 2004-05.

In a letter to Premier Klein dated March 11, 2004 – copied to all MLAs and the media – CTF-Alberta director John Carpay asked the government NOT to spend tax dollars on promoting the budget. On March 23, the Alberta government revealed it had cancelled its former plans.■



## To look at some health care options

Our politicians are afraid to say it. Organized labour pretends the problem doesn't exist. Increasing wait times for medically necessary health services in Saskatchewan present a clear and present danger to our health.

Government spending on health is skyrocketing and there is no end in sight. Health spending currently eats up 41 cents on each tax dollar collected. In the last decade, health spending has increased by an astounding 65 per cent. At the cur-

rent rate in Saskatchewan, it's inevitable that half of our tax dollars will go in to the bottomless pit of healthcare.

Meet Joyce Ratke. The Saskatoon *Star Phoenix* recently reported that Joyce has been waiting for four years to have both her knees replaced. She likens the pain in her knees to knives being stabbed into her joints. She has lost mobility, and has gained weight as a result.



by David MacL  
Saskatchewan Dir

She recently received word that her necessary surgery has been yet again postponed indefinitely. The Saskatoon Health Authority (SHA) is grappling with a deficit that may balloon to \$12 million this year. In a bid to save a paltry \$200,000, the SHA is delaying "elective" surgeries until the next fiscal year. Of course, no sane person could possibly classify Joyce's surgeries as "elective."

Joyce's story is one of hundreds around the province. Proponents of public health care continuously demand more money for the system, and decry so-called "under-

funding" as the leading contributor to the problems we currently face. The Romanow Commission offered few suggestions, opting instead to join the cry for more tax dollars.

The system doesn't work, and it hasn't for quite some time. It's time to

## Sasktel: What are you thinking?



On December 2, 2003 Sasktel announced the merger of one of their many pet project companies (which has never made money) with another money losing company.

Tappedinto, an internet streaming video provider, merged with another little-known company called Streamlogic.

Information obtained by the Canadian Taxpayers Federation through Freedom of Information reveals it cost taxpayers \$717,518 to make the merger happen – a price tag Sasktel failed to mention in their merger announce-

ment news release.

Tappedinto is a dog – it has never made money. SaskTel started buying equity in 2001 at \$4.11 (USD) per share. They continued buying as the value of the company plummeted. Last October, Sasktel picked up half a million shares from another investor for one measly dollar.

Now, for a grand total of \$7 million, the taxpayers of Saskatchewan own a 38 per cent equity position in a money-losing company called Streamlogic. Sasktel is hopeful that the new company will be "cash flow positive" this year. Here's to hoping!■

reform health care in a bid to reduce costs, and for government to get out of the way of progress.

Premier Calvert points to increased health spending as the cause of our mounting provincial debt. He's right to finger health as part of the problem. The problem is that he proposes no solutions whatsoever. The government hasn't moved an inch on health reform.

The answer for reforming our system lies in opening the system up to competition and competitive contract

tendering. Opening up the system to competition would mean hospitals and other health service providers would compete for the right to serve you as a patient. There would be incentives for health providers to provide quality and timely health services in an efficient way. Patients would have a choice.

It's time our government showed some leadership in the area of health care. We need to abandon our pre-

“Health spending currently eats up 41 cents on each tax dollar collected. In the last decade, health spending has increased by an astounding 65 per cent.”

conceived notions about private health care, and explore ways that adopting the principles of business might help people like Joyce get the help they need.

Would it hurt to run a pilot program incorporating private service delivery under the umbrella of the public health system?■

## Saskatchewan budget justifies recall legislation

There aren't enough bad words to describe the most recent Saskatchewan budget. Budget 2004 raises the PST, taxes campfires, closes provincial parks, increases every user fee under the sun, and increases government spending. It even revives the old dinosaur called bracket creep!

The budget is a step backward for the province. It will undoubtedly hasten the out-migration our government pretends to worry about. It will slow our economy and reduce our disposable income.

Perhaps worst of all, this budget is a betrayal. In their election platform the NDP made no mention of hiking taxes across-the-board. In fact, their election platform repeatedly states their commitment to gradually lower taxes.

The NDP lied in the last election. The electorate, as the owners of government, should have the right to fire these people for their lies. We

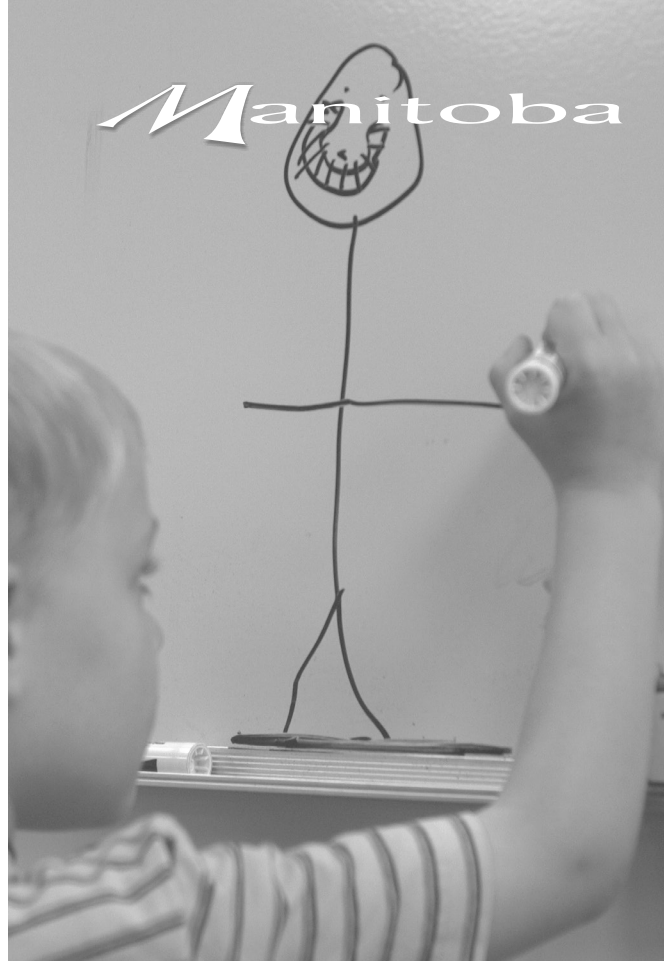
need recall legislation allowing voters to fire their MLAs and force a by-election. Keep an eye out for a petition and a publicity campaign promoting the passage of recall legislation in Saskatchewan.■



Saskatchewan Director David MacLean submits 7,800 signatures to Finance Minister Harry Van Mulligen at a CTF Board of Directors meeting in Regina.



**H**aven't we seen this movie before? The NDP government does not provide adequate funding for our public school system so school boards across the province are left to raise taxes to make up for the shortfall. The latest re-run comes from Education Minister Peter Bjornson who made the announcement that the province will provide an additional \$17.6 million to fund public schools in Manitoba. But it is not only the province that is neglecting their financial obligations, school boards continue to be a culprit for our skyrocketing school taxes.



## School taxes on the rise **AGAIN**

From a taxpayer perspective there are a number of problems with this announcement. Since 1995, there has been a steady decline in the portion of funding from the province to the school divisions. In 2003 the provincial funding portion consisted of only 57% of school divisions' budget, the rest coming from property taxes. Back in 1990, the province was funding almost 70% and that was well before the days of the additional Education Support Levy (ESL), a separate tax the school divisions charge on properties.

The other problem with the lack of education funding from the province has been school board amalgamation. The merger-mania that we have seen with some Winnipeg school divisions is clearly not the panacea for escalating education costs. In 2001 when school division amalgamation began, the CTF warned that amalgamation of the metro-school divisions would lead to higher taxes for all homeowners. Harmonized collective bargaining agreements

will drive up salaries and benefits to the highest common denominator. Issues over harmonized transportation services and class size limits will also likely favour the more costly option.

School division taxes have increased by over 80% since 1990 – this year already a number of divisions have announced single-digit increases. Clearly school divisions in Manitoba have shown not shown the willingness or the ability to keep spending under control so this begs the question, why do we need them? Homeowners would be much better served by cen-

tralizing spending through the Finance Minister and de-centralizing governance issues like curriculum development by putting the power back into the hands of the parents, principals and educators.

It has become painfully obvious the property tax burden is unaffordable. The province needs to act, and quickly. A comprehensive review of the school tax system to explore alternative education funding mechanisms should be a priority in the spring session of the legislature. It is also time we looked at school boards and determine whether they are relevant in our society. Perhaps this cumbersome layer of bureaucracy should be removed and replaced by voluntary committees to oversee our schools.

The most important option the Manitoba government needs to consider is to extend the scope of the Taxpayer Protection Act to municipalities and school boards so that all school and municipal tax increases must first be passed by voter approval through referendum. ■

# Don't mess around with a good thing....

**L**ate last year, Mr. Earl Backman was appointed Manitoba's Commissioner to study MLA pay, allowances and retirement benefits. He will be making recommendations to the legislature in the next few months as to whether or not Manitoba MLAs should receive a pay increase - not a simple task since determining pay for elected officials is something of a thorny issue. But the question that must be asked is why is this suddenly an issue?

Unlike Parliamentarians elsewhere in Canada, Manitoba's Members of the Legislative Assembly (MLA) have a reasonably simple and transparent compensation regime. Manitoba's MLAs do not receive a tax-free allowance and do not have a defined benefit pension plan. In these respects, Manitoba has led the country in MLA compensation. With the Fox-Decent Commission in 1995, Manitoba wrote the book on simple, transparent, accountable and fair compensation. In fact, other provinces have followed Manitoba's lead when determining compensation for elected officials.

If changes are required, they should only be done to strengthen what is already in place. For example, at the end of each fiscal year, MLA expenses should be published in the following areas: advertising, office maintenance, travel, entertainment and total spending. A similar accounting should be published for all ministerial offices as well.

With regard to MLA remuneration, provide MLAs with an annual pay increase (or decrease) every year on April 1, and tie it to any increase in the cost of living using either the Consumer Price Index from the previous calendar year, or a provincial weekly earnings average composite. The second option is more

closely a performance measurement for legislators. The rate can go up or down depending on the health of the economy, and it is a re-

flexion of the economic conditions experienced by the people paying their salaries.

Currently, MLAs earn \$65,535 a year (tack on an additional \$29,000 for cabinet ministers). That puts them in the top 7.2% percent of all income earners in Manitoba. There is no doubt that citizens desire and deserve competent and talented women and men in elected public

service. However, there is no evidence to support the argument that better pay and compensation will attract more qualified individuals to public life. While a competitive wage should be paid to our MLAs, one sincerely hopes that an over-riding sense of civic virtue and duty are the first and primary motives for Manitobans who want to serve as MLA.■

“With regard to MLA remuneration, provide MLAs with an annual pay increase (or decrease) every year on April 1, and tie it to any increase in the cost of living using either the Consumer Price Index from the previous calendar year, or a provincial weekly earnings average composite.”



by Adrienne Batra  
Manitoba Director

# Electric Circus: TAXPAYERS' FUTURE STILL IN THE DARK

For a frightening forty-eight hours last summer, the lights went out across Ontario. A state of shock descended on the province, as businesses shut down, lineups formed at gas stations, and people went to bed without knowing whether they would wake to a hot breakfast – or a cold shower. The estimated loss to the Ontario economy: over \$500 million.

Little did taxpayers realize that the blackout was merely an ominous portent of troubles to come. In the past month, Ontario's electricity industry has become engulfed by a tornado of controversy. First, taxpayers were outraged at the multi-million dollar severances paid to disgraced Ontario Power Generation (OPG) officials such as former chair William Farlinger. Then it was revealed that friends of the previous Conservative government pocketed consulting contracts with Hydro One worth close to \$6 million. Finally, the public learned that managers and unionized OPG employees collected \$31 million in "goal attainment bonuses" in 2003 – a year when the company lost \$491 million.

The current mess has its roots in the policies of the previous Tory government. In 1997, the board of what was then Ontario Hydro approved a \$1.6 billion plan to overhaul Ontario's aging nuclear plants. Sixty-six projects were undertaken, including splitting Ontario Hydro into two corporations: OPG and Hydro One. Then, in 2002, the government capped OPG's electricity prices at 4.3 cents per kilowatt hour, resulting in a \$850 million shortfall picked up by – you guessed it – Ontario taxpayers.

According to a recently-released report by financial analysts KPMG, the cumulative effect of these decisions and the ensuing loss of profit have run OPG into the ground. Today, its very "viability under the current business model is in question." Action is needed – and fast.

Since taking office the new Liberal government has only compounded the company's woes. By keeping his election promise to eliminate Ontario's coal-burning plants (a surefire environmental vote-getter), McGuinty has plunged OPG \$473-million in the red. To replace the estimated 7,500 megawatts of generating capacity lost by eliminating these coal plants will require a capital investment of at least \$5 billion – money the government simply doesn't have in a year when it is facing a 2003 budget deficit estimated to run as high as \$5.6 billion.

In an effort to boost revenues, the Liberals have lifted the price cap on electricity. Effective April 1, 2004, the price will rise to 4.7 cents per kilowatt hour for the first 750 kilowatt hours used and 5.5 cents per kilowatt hour for usage after that. But that step alone is not enough to cure what ails the beleaguered industry. The provincial government estimates that the total price tag for upgrading Ontario's electricity system could be as high as \$40 billion.



So what should be done? The long-awaited report of the OPG Review Committee, headed by former federal finance Minister John Manley, recently offered several prescriptions for reform. It found that, while OPG's core assets should remain in public hands, an independent agency should be set up, at arm's length from the government, to predict the province's electricity needs and make sure enough generators are built to meet demand. The panel also recommended that OPG consider private-public arrangements through joint ventures and long-term leases to maximize the value of its assets. In addition, the panel concluded that OPG should get out of the business of so-called "green" electricity generation and prioritize investment in nuclear power.

The report has been condemned by critics of privatization and deregulation, including NDP politicians and industry watchdog Energy Probe: "The danger here is that the public sector gets the risk and the private sector gets a risk-free return or substantially risk-reduced return."

The truth, though, is that both the industry and the province are broke. Without private money, nothing will be done. Privatization is not the cause of rising power prices. Prices shot up because of government meddling and its failure to provide the power supply needed to meet consumer and business demand. One way or another, people will need to pay for the power they consume – the question is, what kind of power should it be?

Refurbishing or building more nuclear power plants, which have been huge money-losers in the past, is not the answer. The results of Ontario's nuclear experiment are seven mothballed reactors and a \$30 billion stranded hydro debt. Even in a properly-managed system, the long-term economic viability of nuclear power is questionable, since permanent disposal mechanisms for nuclear waste are still on the drawing board and the cost of storing nuclear by-products is extremely high.

The coal plants McGuinty wants to close actually provide the cheapest source of power. According to official statistics from Ontario's power marketer, since 2002, coal-fired genera-



by Tasha Khairiddin  
Ontario Director

tion produced power at 3.38 cents per kilowatt/hour, compared with 7.64 cents for gas, 8 cents for oil and 7.67 cents for water power. McGuinty's proposed shutdown of Ontario's five existing plants is irresponsible, especially until there is a plan in place to replace the 7500 megawatts the province will lose as a result.

A chorus of voices have decried the government's decision to close the plants, including the provincial Electricity Conservation and Supply Task Force. Writes *Financial Post* editor Terrence Corcoran: "In the United States, where markets are less rigidly controlled by politicians, there's a major oversupply of electricity. Coal is set to account for more than 50% of supply until at least 2025." Upgrading Ontario's coal plants and building new ones with tougher emission controls would therefore be the more intelligent choice.

And timing is of the essence. According to experts, Ontario is facing power shortages as early as 2006. So when can taxpayers expect government action? According to Energy Minister Dwight Duncan, a bill will be presented in May for passage this fall. Spring is also when taxpayers will see their hydro rates jump, and when temperatures and electricity consumption traditionally start to rise. All this makes for a potent political combination - and one long hot summer for the provincial government. Let's hope that cooler heads prevail, and that the government puts together a viable solution for Ontario's hydro woes. ■

“The coal plants McGuinty wants to close actually provide the cheapest source of power. According to official statistics from Ontario's power marketer, since 2002, coal-fired generation produced power at 3.38 cents per kilowatt/hour, compared with 7.64 cents for gas ...”





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